EUROPE'S BUSINESS NEWSPAPER

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Monday June 11 1990

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TRADE
Hands across the US-Mexican border
Page 16

World News

Pilot saved as airliner's windscreen blows out

British Airways is to check windscreens on all its BAe One-Eleven aircraft after a pilot was nearly sucked into the slipstream when the jet he was flying lost its windscreen soon after take-off from Birmingham airport.

Crew members struggled to haul him back into the cockpit before the aircraft, en route to Malaga in southern Spain, made an emergency landing at Southampton. Page 9

Quebec strikes deal

A sense of national relief tinged with warnings of future discord has greeted a tentative agreement between Canada's political leaders to make Quebec a full member of the Canadian federation. Page 18; *Identity crisis*, Page 3

Hungary pulls out

The Hungarian Government said that it would remove the country's armed forces from the Warsaw Pact before a complete withdrawal from the organisation's military wing in 1991. Page 2

Soviets close border

Soviet authorities closed the border between Kirghizia and Uzbekistan to prevent the spread of ethnic violence that has killed more than 115 people in the two republics.

Bush optimistic

The Bush Administration is increasingly hopeful of reaching an accord with Moscow over Soviet fears about a unified Germany joining the Nato alliance. Page 3

Pakistani crackdown

Pakistani authorities arrested thousands of people in a crackdown on ethnic violence in the southern province of Sind. The opposition Mohajir National Movement put the number of arrests at 4,000.

Supertanker ablaze

Firefighters battled to contain a blaze raging out of control aboard an oil tanker that threatened to break the ship and spill its million gallons of crude oil into the Gulf of Mexico. Page 4

Terrorists injure 17

The UK Government will be challenged today to review security procedures on military premises following weekend bombing attacks on the British mainland in which 17 civilians were hurt. Page 9

Backing for Shamir

Caretaker Israeli Premier Yitzhak Shamir will present his right-wing coalition government to the Knesset today for a vote of confidence. Page 6

AIDS drug succeeds

A US-made AIDS vaccine has succeeded in triggering the creation of killer cells in human beings that attack the immunodeficiency virus that causes AIDS. Page 3

Oldest man dies

The world's oldest man, 112-year-old Welshman John Evans, who worked as a miner for 60 years, has died.

Liner runs aground

An ocean liner lay grounded and taking on water after hitting the bottom while travelling in dense fog off the eastern US seaboard. The 650 passengers did not appear to be in immediate danger.

Activists freed

President F.W. de Klerk released 46 political prisoners in his latest effort to improve the climate for black-white political negotiations in South Africa.

Gomez beats Agassi

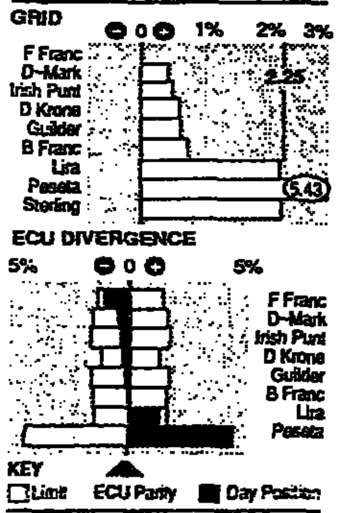
Andres Gomez of Ecuador won the men's singles title at the French open tennis tournament, beating American Andre Agassi by three sets to one.

Business Summary

Investment for a single Europe may miss deadline

THE 1992 deadline for a single European market in investment services may be missed unless member states can quickly settle their differences over a directive which finance ministers start discussing today. The directive, which is lagging behind schedule, would allow investment firms established in one country to do business anywhere in the European Community, and is seen as vital to a free European securities market, helping it to become less fragmented and better able to compete with markets in the US and Japan. Page 18

EUROPEAN Monetary System: Central banks intervened to keep EMS currencies within their agreed bands last week, but the action was not very aggressive. The Bank of France declined an opportunity to increase the rate on its main *instrument of monetary policy*, when supplying liquidity to banks. The French franc remained the lowest EMS currency, but the relative weakness of the D-Mark allowed France to take a relaxed view of the situation.



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of currencies.

MEXICO and US are being urged by 200 top American chief executive officers to negotiate a comprehensive free trade and investment agreement. Page 6

GENENTECH, leading US biotechnology company, shareholders approved sale of 60 per cent of the company to Roche Holdings, Swiss chemicals and pharmaceuticals group, for $2.1bn. Page 23

GENERAL BANK, Belgian leading bank, is to shut its Tokyo branch, in a rare move by a foreign financial company in Japan. Page 23

HONG KONG'S Futures Exchange is not renewing the contract of Mr Douglas Ford, its chief executive for the past two years. Page 23

WESTDEUTSCHE Landesbank, West German regional bank, is to set up joint venture with Deutsche Aussenhandelsbank, East German foreign trade bank. Page 23

INDIA and Nepal agreed to restore trade and transit concessions withdrawn in March 1989. Page 6

HUNGARY's National Bank Eurobonds have been placed under review for possible downgrade by Moody's Investor Service. Page 23

NORWAY's oil and gas production workers are threatening to strike unless free wage talks are held. Page 4

Civic Forum victory likely to speed market economy

By John Lloyd and Leslie Colitt in Prague

THE VICTORY of Civic Forum in Czechoslovakia's elections yesterday gives a large popular mandate to the changes ushered in since the November revolution and is likely to accelerate the movement towards a market economy.

With just under half of the country behind them, Civic Forum and its Slovak counterpart, Public Against Violence, are seeking to build a governing coalition to carry forward the liberalisation. This would involve a new constitution, a market economy and a new term of office for President Vaclav Havel.

A prime minister – likely to be Mr Marian Calfa, the present premier – will be named within 10 days by Mr Havel. These two men will then agree on a government before the end of this month and the process will be capped by the expected election of a president – likely to be the incumbent – by early July.

Projections by the West German polling group, Infas, show Civic Forum and its partner holding a comfortable majority of seats in the two houses of the Federal Assembly and in the Czech National Council. The group is the largest in the Slovak Council, but, with a vote of about 32 per cent, commands only a minority of seats.

The Communist Party's surprisingly high vote, at more than 12 per cent, brings it in at a fraction below the Christian Democratic Union in the Federal Assembly – although all parties say they will shun coalition with it.

Mr Vladislav Adamec, the party chairman and a former prime minister, yesterday promised democratic behaviour, further internal liberalisation and an effort "to break out of the ghetto, into which the CF/PAV want to keep us, to co-operate with other left-wing forces."

The other left-wing forces – the socialists and Social Democrats – did abysmally, failing to break through the 5 per cent level necessary for representation in any assembly. Left-wing opposition, especially to the liberal economic approach identified with Mr Vaclav Klaus, the Finance Minister, is likely to come from within his own CF/PAV group, whose large majority will, as the movement's leaders acknowledged yesterday, make them difficult to control in the Federal Assembly.

The Christian Democratic Union did very badly compared with expectations and early polling, only just beating the communists in the Peoples' Chamber in the Federal Assembly and falling below the communist vote in the Assembly's national chamber, and perhaps below overall at the federal level.

The Union is now wracked with tensions as the People's Party struggles to contain the damage done by government allegations that its chairman, Dr Josef Bartoncik, was a long-time secret police informer and as Dr Jan Carnogursky, leader of the Slovak Christian Democrats, broadcasts his opposition to a governing coalition. Mr Vaclav Benda, leader of the Czech Christian Democrats welcomes talks on the issue.

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Skeletons in the cupboard, Page 3

Election break: President Vaclav Havel (left) and Czechoslovakian-born Hollywood director Milos Forman share a joke before a concert in Prague on Saturday

Bulgaria vote expected to be close

By Judy Dempsey in Sofia

BULGARIAN voters turned out by the million in bright sunshine yesterday to turn the country's first free election in 48 years into a surprisingly close race between the inexperienced Union of Democratic Forces and the ruling Socialist (formerly Communist) Party (BSP).

Officials said that the turnout could be as high as 90 per cent, with voters across the country leaving their fear at home despite some intimidation by local BSP officials during the election campaign.

The poll was by all accounts fair, well run and free of organised violence.

Official results are not expected until later today, but indications from around the country point to a closer race than anticipated. The electoral authorities banned all exit polls.

The UDF, which groups 16 opposition groups, had made a strong surge late in the campaign following a spectacularly large rally last Thursday in Sofia attended by more than a million people.

Before the late surge in support for the UDF, the BSP had confidently expected to becoming the first east European communist party to retain power in fully-free elections following last year's political upheaval in the region.

The UDF, which is strong in the cities, among the youth and the intellectuals, had feared that the peasants, which make up 28 per cent of the 6m-strong workforce would be too afraid to vote against the communists which had run the villages like little fiefdoms.

The two-party race was confirmed in the polling booths themselves, where, unlike in Romania, the press could enter and where the station officers were equally divided between the three main political parties.

Mr Radoslav Stefanov Karlvanov, head of Section 26 polling station in the medieval central Bulgarian town of Veliko Turnovo, proudly showed the booths to reporters. There were tidy piles of ballot slips stacked on the left for the individual candidates and on the right for the party lists. No voter could miss the bright blue (for the UDF) and red (for the BSP) slips.

In Veliko Turnovo, seat of the old capital from 1186 to 1878, people spoke openly about how they voted.

Captain Emil Marinov, a stocky 40-year-old army officer was one of the few who said he had voted for the BSP. "This is a conservative town. The communists are dominant here."

Continued on Page 18
Background, Page 2

Moscow to end delays in payment to creditors this year

By Stephen Fidler, Euromarkets Correspondent, in Basle

THE HEAD of the State Bank of the Soviet Union said yesterday that his country should erase its payment delays to foreign creditors by the third quarter of this year.

Mr Viktor Gerashchenko also said in an interview that he had reached understandings which would allow the Soviet Union to raise funds by swapping gold with western central banks.

He said there was no need now to undertake such transactions, which would involve the transportation of gold to the western central banks as collateral for credit.

Mr Gerashchenko is in Basle for the annual meeting of the Bank for International Settlements, the central bank's bank. He has held a series of bilateral talks, including a session with the governor of thr Bank of England, Mr Robin Leigh-Pemberton.

He said some understandings had been reached with what he called "neutral countries". But apart from specifying that there had been no agreement with the United States, he would not say which central banks had indicated their willingness to undertake such swaps.

The Soviet Union has previously arranged gold swaps but with private organisations rather than central banks. On occasions, it had been overly aggressive in such transactions and "got its fingers burnt," he said.

Gold swaps with central banks would have a number of advantages over those with private companies: they could be larger in size and of longer maturity. The payments delays, estimated to have grown to $2bn at one stage, have caused significant problems to the Soviet Union's credit standing.

Mr Gerashchenko reiterated a previous statement that the Soviet Union would sell the equivalent of $2bn of stockpiled commodities – not gold or oil – to erase those arrears. Payments to reduce arrears were already being made now and the arrears should be cleared, according to his latest information, in the third quarter.

He said the aim would be to satisfy arrears to smaller companies first of all, since they had more difficulty in gaining access to credit.

Dusk falls in Sardinia and so the fans come out to play

By John Wyles in Cagliari

AS DUSK fell on a somewhat tense Sardinian capital last night the air was only occasionally fractured by the inebriated call of soccer fan unto soccer fan. In Cagliari's eerie emptiness, the question on many lips was: "Where are they?" For this is the venue for today's match between England and Ireland.

The large police contingent, not to mention hundreds of journalists, were bewildered. Forces failed to mass and the only objects of attention were 100 or so English and Irish football supporters who maintained a liquid diet under the renaissance columns along Cagliari's Via Roma.

For some this was undoubtedly an act of *force majeure* because the local prefect had wisely decided that no alcohol would be sold in public places from midnight last night until breakfast time tomorrow.

Their numbers did swell insignificantly when around a couple of dozen reinforcements trickled off the early afternoon boat from Genoa, but it seemed that the visible army of soccer support would barely exceed the combined English and Irish teams and their entourages when they gather in the Sant'Elia stadium for this evening's match.

British journalists – many sporting tee shirts, shorts and beer guts making them virtually indistinguishable from the phenomenon they had come to write about – speculated whether the English contingent had taken to the hills after the beating some of them had taken on Friday evening.

Then, a fracas at the Cafe Torino on the Via Roma ended with full-dress riot police carting 14 fans off to prison.

This sparked a lively debate with the deputy chief of the Cagliari police who had wished to point out that such disturbances were "malvisto" where he came from.

"They killed the dream of a party," lamented the local paper L'Unione Sarda in its review of events yesterday. This was not a reference to the police action, which some other Italian journalists suggested was heavy handed in the extreme, but to Sardinian hopes for the coming games in Cagliari.

A British Embassy spokeswoman pointed out that "the English do not realise that it is an offence to be drunk in a public place in Italy."

Maybe some are learning.

US Fed should consider cut in interest rates says Bush adviser

By Peter Riddell, US Editor, in Washington

THE US Federal Reserve should be prepared to reduce interest rates if the economy does not rebound from its current slow pace and if the Administration agrees a multi-year package to reduce the budget deficit, President Bush's senior economic adviser stressed yesterday.

Mr Michael Boskin, chairman of the president's council of economic advisers, stopped short of calling for immediate action by the Fed, but was unusually explicit in saying that it should be prepared to act "if signs develop that the economy is not going to be improving."

His comments follow several recent indicators of sluggish growth and come at a time when the Fed is sticking rigidly to its policy.

Monetary policy, Mr Boskin argued, should be forward-looking, and "if it looks like the economy is not going to be rebounding from its current, rather slow pace, they will have to move accordingly."

The Fed, he said, could offset any fiscal contraction from a reduced budget deficit. "It would be irresponsible if it didn't."

Denying there was any "formal deal" with the Fed on the issue, Mr Boskin said: "If there's a serious, credible, multi-year budget deal, that should take a lot of pressure off long-term interest rates and it should give them the elbow room to lower interest rates. We believe that would happen."

He confirmed the Administration had revised down the forecast growth of the US economy to about 2.2 per cent this year from the 2.6 per cent projection at the time of the January budget. Short-term interest rates are expected to stay at about 7.7 per cent.

The Administration, he said, now believed "the rebound in the economy from its current sluggish pace will occur a little more gradually." The odds of a recession were "quite low. I think the economy is most likely, after this lull, to rebound, gradually to improve later this year and in 1991."

There is no indication that the Fed is about to shift from its policy of the past six months. The majority view on the policy-making Federal Open Market Committee (FOMC), due to meet again in three weeks' time, is that the economy is growing at about 2 per cent a year. There are no signs of serious further weakening while concern remains that US inflation has not slowed.

The 12-member FOMC has held to its present policy despite some dissenters. Some, like Ms Martha Seger, consistently favour relaxation while others, like Mr Lee Hoskins of Cleveland, favour restrictions.

In Basle yesterday, during the annual meeting of the Bank for International Settlements, Ms Seger said she personally believed that "before this year is out we shall have

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John Birt (left), deputy director-general of the British Broadcasting Corporation, is a man who likes plans. His plan to improve the BBC was radical, even ruthless. But it was a job he decided he could not refuse.
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FT SURVEYS THIS WEEK

HONG KONG

The colony is coming to terms with its destiny beyond 1997. But China's internal tensions have helped to undermine long-term confidence.

TODAY:
South Africa: the end of apartheid is now in sight – and Pretoria is poised for a compromise.

TUESDAY:
European Finance and Investment: The Netherlands.
Hong Kong: (see left).

WEDNESDAY
United Arab Emirates: challenges for a small country with one of the world's highest per capita incomes.

FRIDAY
Office Property: market buoyancy subsides.

INTERNATIONAL NEWS

Soviet shelves getting emptier, output statistics show

By Quentin Peel in Moscow

THE dire straits of the Soviet economy, including a 5 per cent drop in oil production, have been revealed in the latest statistics for the first five months of the year.

The overall level of production is 1.1 per cent lower than in the same period of 1989, although the rate of increase of money supply has practically doubled. As a result, even where consumer goods production has increased, the shelves of Soviet shops are actually emptier than one year ago, according to Izvestia, the government newspaper.

The grim details of the Soviet economic decline come just as Mr Valentin Pavlov, the Minister of Finance, called for a package of emergency measures by July 1 to prevent a drastic new increase in the Government's budget deficit.

At the same time he proposed a simultaneous devaluation in the official exchange rate of the rouble – albeit still a non-convertible currency – to make foreign investment more attractive. Among other measures, he suggested that unfinished construction projects, a huge drain on the state budget, should be sold off to foreign buyers.

The latest economic statistics show that oil production is down 5 per cent, and coal extraction down 6 per cent, in the first five months.

Izvestia's report suggests that delivery failures right across Soviet industry are beginning to have a "domino effect" as the inability of some big sectors of industry to deliver equipment – including oil drilling equipment, and railway rolling stock – causes a string of other sectors to miss their output targets.

The oil industry's problems are blamed on a combination of old wells drying up, while new wells are not coming on stream fast enough, and on the 16 per cent drop in production from Azneftemash, the Azerbaijan-based supplier of most oil industry equipment.

The slump in coal output is blamed on the railways' failure to move coal stocks from the pit heads, in turn partly caused by a shortfall in all forms of rolling stock, electric and diesel locomotives.

Of far more immediate concern to Soviet consumers, meat output was 3 per cent lower in the first five months than in 1989, vegetable oil by 2 per cent, and canned vegetables by 5 per cent. Textile production was 10m metres less than in the first five months of 1989.

Mr Nikolai Ryzhkov, the Soviet Prime Minister, has already indicated that the official rouble exchange rate would be reconsidered in the course of the year. The problem for foreign investors, however, is not so much the unrealistic exchange rate, but the lack of convertibility for the foreseeable future.

Thatcher sets out to sell Ukraine the British way of life

By Philip Stephens, Political Editor, in Kiev

AFTER a day surveying the international political scene with President Mikhail Gorbachev it was time on Saturday for Mrs Margaret Thatcher to start selling Britain. She took to it with gusto.

The British trade pavilion in the rather inappropriately named Ukranian Park of Economic Achievements on the outskirts of Kiev was the chance the Prime Minister wanted to explain how the fruits of her economic revolution could now be shared with the east's budding capitalists.

Mr V.A. Masol, the Ukrainian Prime Minister, looked at times more than a little bemused as Mrs Thatcher adopted her usual whirlwind style to explain just how British business could help.

Ernst and Young, the accountants, were there to provide legal and accountancy services for the burgeoning number of Anglo-Soviet joint ventures.

ICI, explained the Prime Minister, had already helped the region double its wheat yield, while Racal and Case Communications were ready to provide all the sophisticated information technology a market economy could need.

Rank Xerox, with a massive display of state-of-the-art copiers, had just set up an office in Kiev. But the man from ICI explained that it was having a few technical problems in getting the necessary permits. Mrs Thatcher needed no prompting. ICI was a "perfect" company run by the Prime Minister's favourite chairman (Sir Denys Henderson). "I'll give him a reference," she told a wilting Mr Masol.

Whizzing along through stands offering everything from artificial insemination for cattle herds to fruit processing machinery, Mrs Thatcher warmed to a familiar theme.

Mr Gorbachev's briefing on the log jams and shortages threatening his economic reform programme had reminded her again of that basic Grantham principle – good housekeeping.

Mrs Thatcher, though, was not in Kiev just to sell widgets, computers or accountancy services. Kiev's British month, leaving the taxpayer back home with little change from £5m, is designed to sell a way of life.

Even the hard-bitten Westminster journalists accompanying Mrs Thatcher began to look a little bemused as the entourage swept into an expensive recreation of a three-bedroom 1970s "semi" – complete with Ford Escort in the front drive.

The fictitious, plaster cast, Mr and Mrs Goodwin, painstakingly constructed by Whitehall officials as a classic example of the affluent working class, had managed to fill their house with more consumer durables than stocked by all of Kiev's department stores.

These were Mrs Thatcher's army of supporters and, given time, Mr Gorbachev would build up the same following.

Only a carelessly dropped back copy of the Daily Telegraph spoilt the impression. A front page story on Mrs Thatcher's domestic troubles reminded anyone who could read English that, for now at least, the Goodwins are more likely to vote for Mr Neil Kinnock, the Labour leader, than for Mrs Thatcher.

Gorbachev concedes ground on party unity

By Quentin Peel

PRESIDENT Mikhail Gorbachev was forced at the weekend to concede a major defeat in his struggle to maintain a united Communist Party when he gave the green light for the establishment of a separate Russian Communist Party.

The move follows months of rearguard action in which he has sought to resist the combined pressures of Communist Party conservatives, confederalist radicals and Russian nationalists, all of whom see a separate party as desirable.

His defeat came at a top-level meeting of Russian Communists at the headquarters of the Soviet Communist Party, as Mr Boris Yeltsin, the new president of the Russian federation, stepped up his own assault on central government policies.

Mr Yeltsin broadcast a televised appeal to the Russian population, promising an alternative economic reform programme to the step-by-step measures proposed by Mr Nikolai Ryzhkov, the Soviet Prime Minister, and insisting that his plans would not mean a drop in standards of living. Both Mr Yeltsin's campaign and the demands for a Russian Communist Party have successfully exploited the growing resentment in the Russian federation, containing more than half the country's population, that Russians are losing out from perestroika.

Mr Gorbachev's concession of defeat amounts to a recognition of the inevitable which he will now have to seek to exploit. "There should be no delay in funding a Communist Party of the Russian federation, in the light of the existing situation, and social expectations," he told the joint meeting of the Russian bureau of the Communist Party central committee, and the preparatory committee of the Russian Communist Party conference, to be held later this month.

However, he sought to insist that the move should not undermine the unity of the all-union party. "At the same time one should act in a well thought-out way so that this step will not make for the development of centrifugal trends, but would be aimed at consolidating the Communist Party of the Soviet Union, and the whole of society."

Creation of a Russian Communist Party is something which Lenin, the founder of the Soviet state, rejected as giving the Russian federation too much power.

It is also likely to be an organisation for which Mr Gorbachev has no obvious candidate as leader.

THE death toll in over a week of ethnic clashes on the border of the Soviet Central Asian republics of Kirghizia and Uzbekistan has risen to 115, Moscow Radio said yesterday, Reuter reports from Moscow.

In a report from Frunze, the Kirghiz capital, the radio said two policemen and a soldier from Interior Ministry units sent to restore order were among those killed in fighting in and around the town of Osh.

Debt cloud darkens Bulgaria's future

By Judy Dempsey in Sofia

WHOEVER forms Bulgaria's next government, one of the first tasks will be to deal with the country's $10.3bn debt.

But even if the Government manages to reschedule or refinance part of the debt, it will have problems with its eastern neighbour. From January, all Bulgarian trade with the Soviet Union will – at Moscow's insistence – be on a dollar-clearing basis.

The Bulgarian Government suffered a loss of confidence among its 187 western creditors last March. The Bulgarian Foreign Trade Bank (BFTB) unexpectedly sent telexes to western creditors announcing it was suspending payment on principal but not outstanding interest.

"The decision was a result of three months' analysis," says Mr Vesselin Rankow, president of the bank, which holds 90 per cent of the gross debt.

Not surprisingly, all credit lines were frozen. As a result reserves, which totalled $1bn at the beginning of the year, quickly fell to $200m (£119m) by the end of May.

This created serious problems for Bulgarian importers and western exporters. Several Bulgarian enterprises are running at well below capacity because they have no hard currency to buy imports, while in several cases some British companies are owed large sums.

Initially, the BFTB shrugged off what western creditors saw as unprofessionalism in the way it managed its debt problem. As soon as credit lines ran dry and when it was realised that western creditors did not take kindly to this decision, the BFTB sought to repair the damage.

In April, a consortium of banks headed by Deutsche Bank gave Bulgaria three months' grace until after the elections. The consortium will meet in London later this month to discuss ways to restructure the debt.

Mr Rankow says the country needs "an unspecified period" to repay debts so that it can set up mechanisms for a market economy. It is clear that Bulgaria owes $3.6bn in principal for 1990, $1.8bn for 1991 and $800m for 1992. But the BFTB insists it will continue to honour its interest payments, which for this year total $660m.

How much time would the Bulgarian Socialist Party and the Union of Democratic Forces, the loose alliance of 16 political groupings, need to put the economy and finances in order? Both parties say Bulgaria needs a breathing space of three to five years. This means some form of refinancing and perhaps even debt/equity swaps, but they realise this entails market instruments and the existence of enterprises worth selling to western investors.

Above all, both realise that, since they are dependent on western bankers for a new debt repayment timetable, the new Government must come up with a coherent economic reform package.

Even if part of the debt is refinanced, the Government must also tackle trading relations with Moscow. About 80 per cent of Bulgaria's trade is with Comecon, mainly the Soviet Union.

At the Comecon meeting in January, Bulgaria and Romania opposed introduction of a dollar clearing system. But after a meeting last week of the Bulgarian-Soviet joint economic commission, it was agreed both countries would clear their two-way trade in convertible currency, which after three years will be succeeded by cash settlements in hard currency.

This means Soviet imports will be paid for by Bulgarian goods, but what cannot be covered in barter will be covered by hard currency.

Mr Andrei Lukanov, the Prime Minister, said last week that Soviet energy supplies and other raw material products, on which Bulgaria is dependent, would be guaranteed.

Western economists in Sofia describe the Soviet decision as "a good one" because it would make Bulgaria wake up to the fact it must be competitive.

Under pressure from both east and west, any decisions adopted by the next Bulgarian Government could therefore involve some "shock therapy" measures.

Hungary to withdraw forces from Warsaw Pact

By Nicholas Denton in Budapest

THE Hungarian Government at the weekend confirmed that it would remove the country's armed forces from the Warsaw Pact in anticipation of formal withdrawal from the organisation's military wing by the end of 1991.

Mr Jozef Antall, the Hungarian Prime Minister, said: "Even while we remain members we intend to withdraw our troops from the joint command." Moreover, Hungary would also refuse to participate in manoeuvres this year, he said.

It is understood that the Hungarian chiefs of staff had already been instructed to accept only those orders given by the Budapest Government and that they had pledged their loyalty.

This amounts to an effective exit from the military aspect of the pact, according to an aide of the Prime Minister. All that remains of Hungary's involvement, besides the symbolic, is the exchange of intelligence and diplomatic contacts, whose main purpose is to wind up the military organisation.

The authorities refrained from pulling out formally for fear of slowing the evacuation of Soviet troops from Hungary and damaging Hungary's military, which is dependent on Soviet spare parts and equipment. Despite this restraint, Soviet military officers found the idea of Hungary's withdrawal of joint command "quite repulsive," according to Mr Lajos Fur, the Hungarian Defence Minister.

The assumption of sovereign control over its armed forces is the first part of Hungary's staged withdrawal from the Warsaw Pact .

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Skeletons in Czech politicians' cupboard

By John Lloyd in Prague

LIKE mines sewn during a war, the secrets of the Czechoslovak StB (security police) lie just below the surface of the country's politics, waiting to explode.

One mine did so on Saturday when, immediately after the Civic Forum's victory, Mr Jan Budaj, head of the Slovak Public Against Violence movement, announced he had withdrawn his candidature because he had been pressed into being a secret police collaborator in the 1970s, in return for the issue of his passport.

Within Civic Forum, a number of unnamed candidates has also – so far quietly – dropped out, as the obligatory screening process threw up collaborationist evidence against them. Mr Ivan Gabal, CF's election co-ordinator, said yesterday that none were prominent figures. The leadership is adamant they will not be named – though a comparison of the original lists of candidates and the final lists of those elected, will give an indication of who they are.

But the largest explosion has been that caused by the exposure of Dr Josef Bartoncik, chairman of the People's Party. The party was, with the Socialist Party, legal and subservient to the Communist Party for the past 40 years. It is now one of the three constituent members of the Christian Democratic Union.

According to deputy Interior Minister, Jan Ruml, and Federal Prosecutor, Pavel Richetsky, two independent lines of investigation nailed Dr Bartoncik last week.

A handwritten registry of collaborators discovered last Monday in the Moravian capital of Brno (where Dr Bartoncik was People's Party leader), showed him to be a paid informer from 1971 to 1988, with the identification number of 15301. His file, however, has been lost.

Coincidentally, a secret police agent came to Mr Richetsky's office on Tuesday and laid the most damaging evidence against him. Dr Bartoncik had, said the agent – who had been his controller – been active in exposing the activities of the dissident movement, Charter 77. He requested and achieved the dismissal of people from their jobs; he was visited by senior StB officials from Prague and his reports were routinely received by Mr Milos Jakes, the Communist Party general secretary until November.

This evidence was put to Dr Bartoncik by President Vaclav Havel last Tuesday. According to Mr Michael Jantovsky, the presidential spokesman, he admitted the case against him and promised to resign on health grounds. But he reneged: though he does say he had a heart attack on Tuesday night, he refused to resign, and proclaimed his innocence, and thus Mr Ruml went public on Thursday. Since then, Dr Bartoncik has remained defiant from his hospital bed, though his party now sounds less convinced.

The evidence presently rests heavily on one agent. No criminal charges are pending (which makes Mr Richetsky's involvement puzzling), but the timing of the revelations, just before the election, was bad – though few think it explains the Christian Democrats' bad showing. Mr Jantovsky says that if Dr Bartoncik had gone quietly there would have been no problem.

He may, if he cannot clear his name and continues to struggle, destroy his party. It can hardly be imagined that the Czechs' Christian Democratic Party and the Slovak Christian Democratic Movement will allow themselves to be dragged down with it. Mr Richard Sacher, the Interior Minister and a fellow leader of the People's Party, has suffered by association – and under the suspicion that he may have covered up for Dr Bartoncik. For many, the "renewal" movement in the People's Party, which began last year and of which Dr Bartoncik was a leader, is now viewed as possibly an StB manoeuvre, perhaps aimed at securing a more reformist government.

It has left a stain on the waters which may spread: a suspicion that the rules – hardly yet in place – were broken by the government and that revenge may have played a part. The secret police cannot be conjured away with the power of the Communist Party: their withdrawal from Czechoslovak civil life will be painful for a while yet.

Identity crisis continues to haunt Canada

Bernard Simon on the strains evident in the shaky agreement to salvage Meech Lake

EVERY decade or so, Canadian politics heats up from a tepid mix of spending promises and name-calling to a red hot frenzy of national doubt.

The latest frenzy culminated on Saturday night in a former railway station in Ottawa with a fragile and tentative agreement to salvage the package of constitutional reforms known as the Meech Lake accord.

The agreement, reached after a week of intense and often acrimonious talks between Mr Brian Mulroney, the Prime Minister, and the 10 provincial premiers, will probably succeed in defusing Canada's latest identity crisis.

But it has not provided a definitive view of the long-term future of one of the world's most civilised societies and the West's seventh largest economy.

Canadians have yet to find out whether the events of the past few months are the harbinger of a break-up between Quebec and English Canada, leading perhaps to the incorporation of much of Canada into the US. Or whether the turmoil around Meech Lake will join the bombings and kidnappings of the early 1970s in Quebec and the emotional separatist crusade of the late 1970s as just another milestone in Canadians' search for a national identity.

The Ottawa agreement and the events leading up to it make either scenario plausible.

The agreement has only the grudging approval of Newfoundland, whose premier Mr Clyde Wells has been the most implacable opponent of the Meech Lake accord. Mr Wells, worn down and isolated during the week, declined on Saturday to give the agreement his full support, leaving a final decision to his parliamentarians in the provincial legislature.

Assuming Newfoundland eventually approves, the agreement will almost certainly lower the national temperature. It will allow the Meech Lake accord to be ratified by all 10 provinces by the June 23 deadline, thereby bringing Quebec into the 1982 Canadian constitution while giving it the right to "preserve and promote" its position as a "distinct society".

In particular, the Ottawa agreement is likely to take some wind out of the sails of Quebec separatists who have made Meech Lake a test of the francophone province's acceptance in English Canada. The separatists will have one less reason to accuse Anglo-Canadians of kicking dirt into Quebec's face.

Even as it grew more intense, the Meech Lake debate has exposed a remarkable determination in many quarters to keep Canada intact. Business leaders have warned that, while Quebec may have the wherewithal to survive respectably as a separate country, the prospect of fragmentation will do incalculable economic damage to a country which has attracted foreign investors by means of its unrivalled political and economic stability.

In a country where regional jealousies generally triumph over national vision, Mr David Peterson, the premier of Ontario, the richest and most powerful province, made an unusually generous gesture to break the logjam of the past months. Mr Peterson is being hailed as the hero of the hour by agreeing on Friday night to give up six of Ontario's seats in the Senate in favour of smaller provinces less well-represented in Ottawa.

And in one of the most talked-about incidents during the private meetings, Alberta premier Mr Donald Getty, a former football player, blocked the door when Mr Wells and another dissident premier threatened to quit the talks.

The last-minute push to avoid a full-blown constitutional crisis cannot obscure, however, the considerable stresses and strains that remain in the Canadian confederation.

The Meech Lake debate exposed a good deal of prejudice and distrust in both English and French Canada. Designed originally by Mr Mulroney to heal old wounds between French and English Canada, the accord and a number of concomitant controversies have ended up tearing off some of the scabs.

Anglo-Canadians will not easily forget Quebec's decision in 1988 to circumvent a Supreme Court ruling which would have allowed bilingual commercial signs in the francophone province. The Quebec action led directly to the early opposition to Meech Lake on the part of Manitoba, which remained a focal point of dissent until almost the end of last week's meetings.

Conversely, the separatist cause in Quebec has been greatly reinforced by such incidents as the desecration of a Quebec flag by a group of anti-bilingualism extremists in Ontario, and the decision by a group of Ontario municipalities not to offer civic services in French.

Mulroney, centre, congratulates Quebec premier Bourassa, right, during the Ottawa ceremony on Saturday. Left, Industry Minister Benoit Bouchard applauds

Of perhaps even greater long-term consequence, economic forces are loosening rather than tightening the bonds that hold Canada together. The US-Canada free trade agreement, implemented last year, is encouraging many businesses on both sides of the border to integrate their North American operations.

Fiscal pressure is forcing the federal government to trim its transfers to the provinces, gradually giving it less influence over their spending decisions.

Even in the euphoria of Saturday night's signing ceremony, voices of caution were being raised about Canada's future. Mr Mulroney warned that "there are serious misunderstandings in this country". Mr Wells echoed the concern of all Meech Lake's critics that the accord, while giving Quebec its rightful place in the Canadian family, may in the long run be a force for division rather than unity.

Promising results from American AIDS vaccine test

By Alan Friedman in New York

AN experimental AIDS vaccine manufactured in the US has been found to be successful in triggering the creation of cells that attack HIV-1, the immunodeficiency virus that causes AIDS in human beings.

The test, while promising, still does not mean a full-scale vaccine will be available for several years.

The vaccine, known as a "sub-unit vaccine" because it is made of protein units that coat the AIDS virus, is being developed by MicroGeneSys of Connecticut, a biotechnology company.

It was tested in extremely low dosages on human beings at the Johns Hopkins University medical school in Baltimore.

The use of the MicroGeneSys vaccine is the latest in a series of recent tests of experimental AIDS vaccines in the US that have raised hopes that a genetically-engineered vaccine may be the most promising way of fighting the disease.

Dr Gale Smith, vice-president of MicroGeneSys, said the significance of the recent tests was twofold.

First, the vaccine triggered what is known as a "cell mediated response" to the AIDS virus by causing the body to send killer cells after it.

Scientists believe a successful vaccine must achieve this, and also trigger an antibody response.

Second, Dr Smith said the vaccine "does recognise different strains of the AIDS virus."

The MicroGeneSys test results come just a week after Genentech, the California biotech company recently acquired for \$2.1bn by Roche of Switzerland, announced it had conducted an AIDS vaccine test that had protected two chimpanzees from the virus.

A more ambitious vaccine is being sought by Applied bioTechnology (AbT), a Cambridge, Massachusetts, company that is working on what Dr Robert Burns, its vice-president, describes as "virus mimicry."

Dr Burns said the aim is to use genetic engineering to manufacture a virus-based protein "envelope" as a decoy that would produce a stronger reaction from the body's immune system.

US hopeful on German role in Nato

By Peter Riddell, US Editor, in Washington

THE BUSH administration is increasingly hopeful that agreement can be reached with Moscow to deal with Soviet fears about a unified Germany being a full member of the Nato alliance.

After a meeting with Chancellor Helmut Kohl of West Germany on Friday, President George Bush said the Nato heads of government summit in London in July would try "to lay to rest any concerns that the Soviets might have by having an expanded role for Nato that will be unthreatening to the Soviet Union."

Mr Bush expected a Nato summit to produce "a common direction for the expanded political role" of Nato.

After talks between Mr James Baker, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, Mr Bush said he thought "some progress" had been made in reassuring President Mikhail Gorbachev that a unified Germany in Nato would not be threatening to the Soviet Union.

Following his talks with Mr Gorbachev, Mr Bush believed the two sides could find "common ground." He pointed to the Soviet leader's acceptance that US forces in Europe are stabilising, and to the Soviet willingness to pay lip service to the idea that a country can decide what alliance it wants to be in.

Similarly, Mr Kohl said there was a good chance of completing decisions on the external aspects of German unification by this autumn.

He said Germans would, "as a matter of course bear in mind Soviet security."

The Nato summit will start a review of the alliance's military strategy, in particular the doctrine of flexible response, and will outline how it can move from a primarily military to a more political role in ensuring stability in Europe. The heads of government are also expected to endorse Mr Bush's proposals to Mr Gorbachev offering reassurance about the security aspects of unification.

Mr Bush will hold talks today about these issues with Mr Lothar de Maizière, the East German Prime Minister.

INTERNATIONAL NEWS

SPD split leaves question mark over Lafontaine

By David Marsh in Bonn

WEST Germany's Opposition Social Democratic Party (SPD) yesterday failed to heal a damaging split over German monetary union, as doubts continued whether Mr Oskar Lafontaine will lead the party into the next general election.

Mr Hans-Jochen Vogel, the SPD chairman, said after a meeting with Mr Lafontaine in Saarbrücken that he presumed the Saarland Prime Minister would remain the SPD's candidate for the chancellorship in the end-of-year poll.

In two hours of talks, however, Mr Lafontaine, who is recovering from a knife attack at the end of April, once again clearly signalled his opposition to his party's majority line backing the monetary union treaty.

Rifts within the SPD have widened over the past week, with a growing number of the party's Bundestag deputies openly criticising Mr Lafontaine's rejection of the monetary union treaty due to take effect on July 1.

It seems likely that a majority of SPD members will ignore Mr Lafontaine's recommendation by voting for the treaty when it is debated in the Bundestag in 10 days.

Mr Lafontaine believes the speedy D-Mark introduction into East Germany will spark off high unemployment and economic chaos. The Social Democrats in both East and West Germany at the beginning of the year were the main proponents of monetary union. But Mr Lafontaine claims that SPD support for the treaty will identify the party too strongly with the policies of Chancellor Helmut Kohl.

Mr Kohl's officials have said often that the treaty itself, which needs parliamentary ratification in both German states before it can take effect, will not be changed.

Plainly enjoying Mr Lafontaine's discomfiture, the Chancellor believes the SPD will have no choice but to vote for the treaty next week both in the Bundestag and in the upper house of parliament, the Bundesrat.

Mr Kohl conferred yesterday with Mr Hans-Dietrich Genscher, his Foreign Minister, about the external aspects of German unity, still overshadowed by Soviet misgivings on a united Germany's membership of Nato.

Mr Genscher, like Mr Kohl, now appears confident that Soviet support for Germany's Nato membership can be clinched by the end of the year, provided Nato agrees a comprehensive change downgrading its military strategy.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Apr.'90	Mar.'90	Feb.'90	Apr.'89
UK (£bn)	exports	8.673	8.399	8.433	7.172
	imports	10.453	10.485	9.817	9.325
	balance	−1.780	−2.086	−1.384	−2.153
France (FFrbn)	exports	94.064	100.404	98.271	93.694
	imports	98.375	101.461	99.349	97.397
	balance	−4.311	−1.057	−1.078	−3.703
Japan (US$bn)	exports	20.759	23.652	22.844	21.868
	imports	16.827	17.211	16.887	14.645
	balance	+3.932	+6.441	+5.957	+7.223
		Mar.'90	Feb.'90	Jan.'90	Mar.'89
US ($bn)	exports	35.733	30.921	30.496	33.131
	imports	43.801	38.801	42.151	41.848
	balance	−8.068	−7.880	−11.655	−8.717
W. Germany (DMbn)	exports	55.40	54.10	57.50	52.20
	imports	43.40	42.90	44.00	40.10
	balance	+12.0	+11.2	+13.5	+12.1

Tanker fire threatens Gulf of Mexico with huge oil spill

FIREFIGHTERS battled yesterday to contain a blaze raging out of control aboard an oil tanker that threatened to break the ship and spill 38m gallons of crude oil into the Gulf of Mexico, Reuter reports from Galveston.

"It is still very much out of control. It is a very hot fire," said Mr Todd Nelson of the Coast Guard.

If firefighters lose the battle and the 853-foot Mega Borg splits, spilling its oily cargo, it would become the worst spill in US history, exceeding by more than three times the 11m gallon spill from the Exxon Valdez off Alaska in 1989.

In New York harbour, meanwhile, efforts continued to clean up 260,000 gallons of tar-like industrial oil spilled on Thursday when the British-flag tanker BT Nautilus ran aground. Some reports said the clean-up could take a year.

The Norwegian-owned Mega Borg has been afire since Saturday, when an explosion rocked the ship. It happened during a lightering operation – in which oil is transferred from one ship to another – with the Italian tanker Framura.

US Coast Guard videotapes showed flames engulfing the superstructure while nearby ships sprayed it down. A cloud of thick black smoke billowed thousands of feet into the air.

Six firefighting boats sprayed the ship with foam and water in attempt to beat back the flames and several firefighters have boarded the blazing tanker.

The ship appeared to be listing slightly to the rear.

So far, at least 17,000 gallons of oil have leaked from the ship creating an oil slick four miles long and one mile wide.

Two men were killed and two others were missing. Thirty-six crew members, 17 of whom were injured, abandoned ship and were rescued by a nearby supply vessel.

Mr Nelson said survivors had been interviewed, but the Coast Guard still did not know what caused the accident. The explosion apparently occurred in the tanker's pump room, he said.

Talks with EC will mean all change at Efta

David Buchan and **Robert Taylor** on the proposals for a European Economic Space

THIS week's summit meeting of European Free Trade Association leaders in Gothenburg marks not only the organisation's 30th birthday but also the end of Efta as we have known it.

Whatever the eventual outcome, the forthcoming negotiations with the European Community to create a 19-state, 350m-strong European Economic Space are going to change Efta beyond recognition. Indeed, it is even possible that Efta – Switzerland, Austria, Finland, Norway, Sweden and Iceland – will disintegrate in the process.

If the negotiations with Brussels are to succeed, Efta will have to turn itself into something quite different from the inter-governmental trade organisation set up in 1960 with a tiny, powerless secretariat, subservient to six member governments which can take collective action only by consensus.

The EC wants Efta to mirror some of its own supra-national features – member states negotiating with one voice, a central body overseeing common rules and regulations, and maybe even majority voting – so that Efta can honour its side of an EES agreement and ensure its members fulfil their obligations as well.

Efta will probably implode if the negotiations fail to achieve a substantial EES which aims, with few defined exceptions, to achieve the free movement of goods, services, capital and people.

West German Chancellor Helmut Kohl's lecture at Harvard University last week, with its clear invitation to Efta countries to join a United States of Europe has already aroused considerable excitement in the Efta states, which suggests that there might be an alternative to the EES in the near future.

Austria has already applied to join the EC, whatever happens. Its application has sat untouched in a Brussels in-tray since last July.

But Norway too could be expected to think again about following suit if EES talks break down.

The national debate in Sweden is less advanced, though

THE EUROPEAN MARKET

both the leading opposition parties, the Moderates and the Liberals, now believe in EC membership and want to negotiate entry in the course of the next parliament, starting in the autumn of 1991.

Mr Ingvar Carlsson, the Prime Minister, has recently hardened his attitude against EC entry on the grounds of incompatibility with Swedish neutrality. But at the same time he has invested a great deal of political capital in the successful negotiation of an EES.

Finland and Iceland are also keen to see the creation of a substantial EES beneficial to their own economic interests, but Iceland could well reconsider its attitude to full EC membership if a deal could be made to protect its fishing industry from EC competition.

The heightened debate in some Efta countries about the pros and cons of actual EC membership reflects the lack of clarity about what still seems to many people to be the nebulous concept of an EES. In fact, many Efta states, for differing motives, see the EES as a temporary alternative to full EC membership.

It was in January last year that the impetus for a structured EES quickened under EC President Jacques Delors' initiative for a new relationship between Efta and the EC, based on joint decision-making and common institutions.

Two months later, at an Oslo summit conference, all the Efta heads of government welcomed this. Work has been in progress ever since to draw the two sides together, seeking a basis for negotiations on forming an EES to come into force in parallel with the EC's internal market on January 1 1993.

Since Oslo, however, the first flush of enthusiasm has worn off, and positions have hardened.

Yet the longer the two sides have looked at the problems involved in creating an EES, the harder it has seemed to achieve. Take the areas that should be covered by the EES. Efta had no wish to accept, nor the EC to impose, the dreaded Common Agricultural Policy, though both sides have agreed to ease certain farm trade problems. But the Efta countries – with varying degrees of zeal – are seeking to protect what they see as their fundamental national interests from inclusion in the EES.

Some reflect strong national feelings. Finland wants to keep foreigners out of the ownership of its forests; Iceland is concerned with its fish; Norway is keen to limit the movement of labour into the country.

But the EC has made it clear in its proposed negotiating mandate that exceptions will be kept to a bare minimum and only cover really vital national interests. The exact number of special cases agreed for Efta

If the negotiations with Brussels are to succeed, Efta will have to turn itself into something quite different from the inter-governmental trade organisation set up in 1960 with a tiny, powerless secretariat.

will indicate whether the EES is going to be, in the words of one negotiator, "a weakling or a strong animal".

The generally agreed aim of the EES is for a "fundamentally improved" free trade area, which might in the future evolve into a customs union with a common stance towards third countries.

But Efta wants to be exempted from Brussels anti-dumping measures. The Commission's price for this is agreement by Efta states to end trade-distorting state aid, something Efta believes can be achieved without the need for pressure from Brussels.

The difficulties facing the Efta negotiators have grown more apparent over the past few weeks. Indeed, the body's internal cohesion is now under severe strain as it tries to reach accord on a common negotiating stance.

It has already been decided to leave the sensitive but fundamental questions of common decision-making, supervision and enforcement of laws within the EES until the end of the negotiations with the EC.

Now the Efta side is concentrating on drawing up what it wants to exclude from the EES, and here there are genuine differences between the Nordic and southern European members, mainly Switzerland, which will hold the Efta presidency from July 1 until the end of the year.

The Swiss Government has blown hot and cold on the whole process from the start, reflecting doubts about any outcome that would involve supra-national solutions or involve a clear loss of the country's existing sovereignty.

But Austria and Switzerland already feel part of the wider market and they are making their own arrangements – as they have done in the past – to safeguard their own interests. The EES means much less to either of them than it does to the northern Efta countries.

Over the next few days strenuous efforts will be made in Efta to reach a consensus that will hold together in the negotiations scheduled to start on June 20. Nobody really wants to spoil the Gothenburg birthday party with a conflict inside Efta about its negotiating strategy.

But the differences now emerging go to the heart of what Efta stands for.

NEWS IN BRIEF

Norwegian oil workers threaten to strike

By Karen Fossli in Oslo

NORWAY's oil and gas production workers are threatening to strike from July 1 unless free wage talks are held between industry employers and the oil workers' union.

Formal wage talks broke down last week between the Norwegian Oil Industry Association, representing the employers, and the Oil Workers Collective union (OFS) over a 4 per cent pay offer.

● The first post-war strike by Norwegian journalists, affecting 65 newspapers, started yesterday after wage negotiations broke down.

Americans flown out of Liberia

A day after the Liberian government and rebels agreed to begin peace talks without an official ceasefire, a US-chartered jet began yesterday to evacuate Americans from the country. Two other evacuation flights were scheduled, AP reports.

Kuwaiti men vote

Kuwaiti men started to vote on Sunday to elect their first assembly since 1986 with a four-year mandate to review previous parliaments and decide on the shape of the next chamber, Reuter reports.

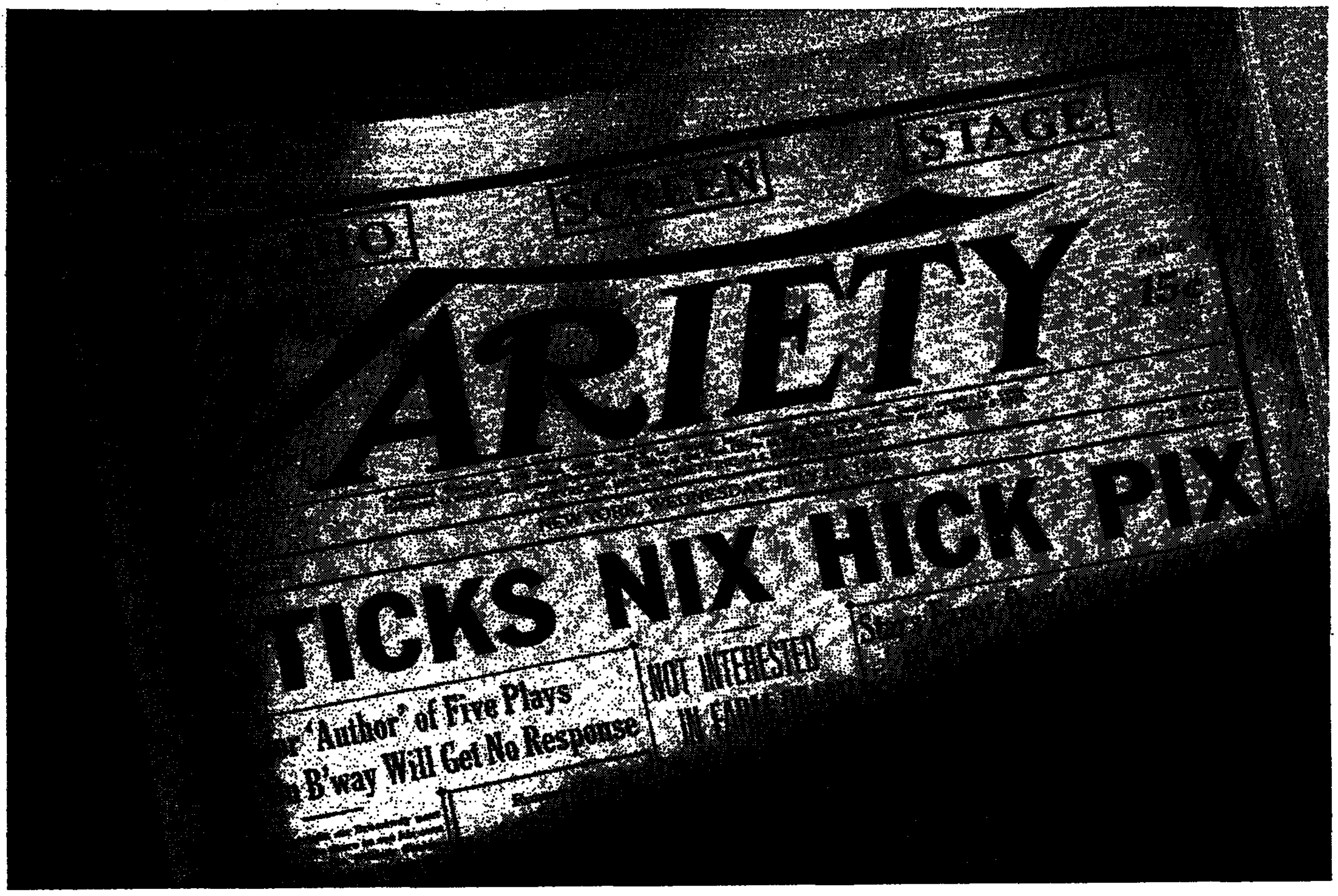
EC-Romania deal

The European Community said yesterday it had initialled a fresh trade and co-operation accord with Romania, the last of a series of new trade deals with the reforming countries of Eastern Europe, Reuter reports from Brussels.

Chamorro mission

Nicaraguan President Violeta Chamorro flew on Saturday to El Almendro, where an estimated 4,000 Contra rebels have assembled in what appears to be the final phase of their disarmament, Reuter reports from El Almendro.

In 1987, Reed International bought Variety.



Famous for its punchy headlines it has been the leading show business journal since 1905.

It joins sixty-nine other specialist and business-to-business journals published by Cahners, Reed's subsidiary in America.

It also supports their publishing philosophy 'Look after the interests of people with interests and you can't go wrong.'

Or as Variety would put it: 'Biz-to-biz racks up big bucks for Reed Int.'

REED INTERNATIONAL IS THE UK'S LARGEST PUBLISHING AND INFORMATION COMPANY. FOR FURTHER INFORMATION RING NICHOLAS JONES ON 071-491 8277.

Shamir peace pledge fails to convince wary Arabs

By Hugh Carnegy in Jerusalem

MR YITZHAK Shamir said yesterday the new right-wing Government he intends to establish today was committed to peace but would not enter negotiations "with evil-meaning enemies with our eyes closed and on the basis of illusions and false hopes."

He is due to present a coalition of his Likud Party and several religious and extremist right-wing parties to the Knesset for a vote of confidence this afternoon, after weeks of haggling to construct a majority without the rival Labour party.

The narrow margin of his prospective majority, and memories of the last-minute failure of Labour to form a government six weeks ago, promises an anxious wait for the vote for Mr Shamir. An element of uncertainty arose yesterday as several Likud-allied Knesset members seeking ministerial office threatened to withhold their votes, although this may have been brinkmanship.

The reliance of the new administration on three far-right parties which favour annexation of the occupied territories, or forced expulsion of the Palestinian population, and the ascendancy of hardline Likud figures such as Mr Ariel Sharon has provoked sharp warnings of conflict by Labour politicians – and from Arab countries.

"It is a government controlled by hawks, shedders of blood and the most mad extremists who call for war. It is the government to cause regional catastrophes," commented the state-controlled Egyptian newspaper al-Akhbar.

Addressing a Likud rally last night, Mr Shamir denied it was a government of warmongers. But he said Arab hostility to the present wave of immigration by Soviet Jews "exposed the lie" that Arab states and "terrorist organisations" had changed.

They were still opposed to the existence of Israel, he said, attacking "the broken record" of western leaders who urged Israel to make concessions for peace.

The policy guidelines of the prospective government – which promise further Jewish settlement of the occupied territories, tough action against the Palestinian uprising there and the exclusion of Jerusalem's Arabs from any election process – are in direct conflict with US policy.

Mr George Bush, the US President, said at the weekend he would work with any Israeli Government, but he stressed Washington's commitment to peace talks. Likud blocked US-proposed terms in March, precipitating the end of the old Likud-Labour coalition.

Blasts mark start of Peruvian election

THOUSANDS of Peruvians, protected by police and soldiers against terrorist attacks, lined up early yesterday to cast their votes for the country's new president, AP-DJ reports from Lima.

On the eve of the run-off election between novelist Mario Vargas Llosa and Alberto Fujimori, Maoist Shining Path guerrillas called for "armed strikes" to block the voting.

They were blamed for a killing and eight bombings in the Andean city of Huancayo on Saturday.

The Government said more than 80,000 police were on alert throughout the country. Thousands of troops patrolled areas where the guerrillas are most active.

As polls opened in Lima security was tight. People entering polling stations were searched for weapons while police patrolled the streets outside in armoured vehicles. Traffic was diverted around voting stations to avert attacks.

Unofficial results of the election were expected late last night but official returns will not be available for several weeks due to the slow vote-count from isolated mountain and jungle areas.

Mr Vargas Llosa, 54, a conservative champion of free markets, and Mr Fujimori, the son of Japanese immigrants who was an obscure agricultural engineer when the presidential campaign began, are in a dead heat, according to independent polls released on Friday.

The winner will inherit a violent and bankrupt country that many believe is ungovernable.

However, Mr Fujimori disagrees with this. "It's a fallacy to say this country is ungovernable," he said. "The country is governable, but the political parties have demonstrated they're incapable of governing."

The run-off was called after no candidate received a majority in the first round of balloting on April 8.

Nepal and India renew trade link

By K.K. Sharma in New Delhi

INDIA and Nepal yesterday agreed to restore trade and transit concessions withdrawn in March 1989.

The agreement to restore the "special relationship" between India and the landlocked Himalayan kingdom followed a three-day visit to India by Mr Krishna Prasad Bhattarai, Nepal's Prime Minister. He held extensive talks on bilateral relations with Mr V.P. Singh, his Indian counterpart.

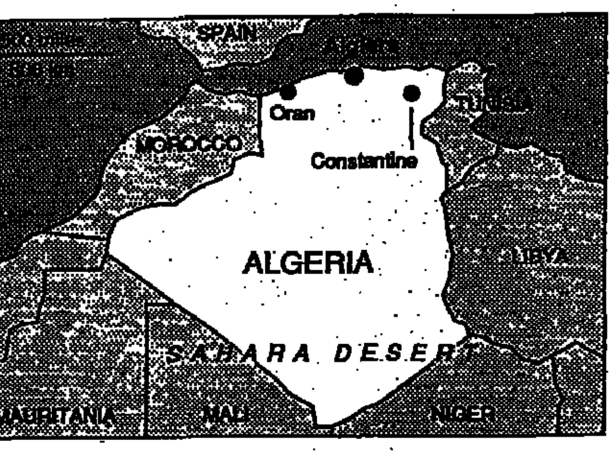
India is to restore the 15 border transit points that existed when the two Indo-Nepal treaties on trade and transit lapsed in 1989.

Indian moves to reduce the transit points to two and restrict trade severely disrupted the Nepal economy.

Differences between the two countries focused principally on Nepal's relations with China, which India claimed affected its security.

Age-old loyalties still bind Algeria's voters

Francis Ghiles on the religious and regional ties which will sway tomorrow's election



"We are not here to promise jobs or housing for all. We will not make promises we cannot hold. But to those of you who give us their vote [tomorrow] Allah will open the doors of paradise."

The speaker addressing the crowd in the eastern city of Constantine – on the eve of elections for municipal and provincial councils – was Ali Belhadj, the most radical among the leaders of the Front Islamique du Salut (FIS) and a man who earlier this year dismissed democracy as "blasphemous."

Algeria's plunge into democracy followed the bloody riots of October 1988 and initially demoralised the Front de Libération National (FLN), which has held power since independence in 1962.

The riots eroded the power of the FLN but the party still derives considerable influence and money from its clientele in state-owned industries and the bureaucracy. The party has been rattled by severe conflicts in the past 18 months, with political heavyweights such as Mr Abdelaziz Bouteflika, a former foreign minister, and Mr Abdelhamid Brahimi, a former premier, openly challenging the authority of President Chadli and Mr Mouloud Hamrouche, his prime minister.

The FIS has stepped into the vacuum left by a squabbling FLN and army leaders who have withdrawn from day to day political and economic affairs. "Social terrorism" has increased as FIS militants and their shady *shorta Islamiya* (Islamic police) have taken the law into their own hands, beating up women and forcing the closure of bars where alcohol is served.

Their campaign against traditional forms of religious expression, often articulated through religious fraternities and *zaouias* (shrines where religious education is dispensed and social grievances expressed) is meeting widespread opposition even though *zaouias* were widely manipulated by the former colonial power and strongly opposed by the late President Houari Boumediene.

In western Algeria the streets of the easy-going seaport of Oran echo to the raw pulsating rhythm of "rai," a music which expresses the joys and woes of life and whose revival in the mid-1980s was a forewarning of the riots. Half of all Oranais are employed in the private sector yet, despite the popular resentment about high prices and FLN corruption, the possibility of an FIS victory appears remote.

At the other end of the country, near Constantine, local families, many of whom had their land confiscated during the "agrarian revolution" of the late 1960s have told the local *wali* (governor) they will vote for the FLN, but on condition part of their land is returned to them.

In the neighbouring province of Tebessa, an attempt by FLN party stalwarts to block younger people from standing as party candidates led to street fighting last month in the small town of Cheria. Eventually the younger generation won the day.

Resistance to FIS ideas from Algerians who do not want their countrymen to forget their Berber heritage could prove crucial. Arabic – the language of the Qur'an – is sacred to virtually all Algerians, yet many resent the forced pace of arabisation in schools and universities. Some groups whose mother tongue is Berber enjoyed access, well before independence, to a standard of education vastly superior to that of most of their countrymen; this is particularly true of the Kabyle Berbers, who were favoured by the colonial power.

Both the recently founded Rassemblement Constitutionel Démocratique and the Front des Forces Socialistes (FFS), led by the veteran Mr Hocine Ait Ahmed, who recently returned from 25 years in exile, command considerable support. The FFS leader recently drew 200,000 supporters on to the streets of Algiers, an event pointedly ignored by the state-controlled television.

Mr Ait Ahmed is boycotting tomorrow's election because he argues it is no more than an elaborate sham engineered to ensure the FLN does not lose power.

If his call is heeded – and many young unemployed youths know that casting their vote will not give them a job – President Chadli may find himself in a difficult position.

But there has been a more relaxed atmosphere in the run-up to the election, explained by a number of factors. Two weeks after about 50,000 FIS activists marched on the presidential palace last April, prompting western observers to warn of the risks of "a new Iran," at least twice as many anti-fundamentalists, including tens of thousands of women, marched peacefully through the capital. A week later the FLN staged an equally large demonstration.

Since then the authorities have initiated a crackdown on blackmarketing and hoarding by shopkeepers, seizing more than £75m worth of goods last month alone. However, if the repression of what Algerians call *trabendo* does not move above petty infringers it will do little to convince people the regime is seriously trying to rout out corrupt practices.

Overcompensation for 27 years of one-party rule explains to some extent the explosion of political activity since October 1988. The results of the election will be difficult to read as thousands of candidates are running as independents in a country where family ties, regional loyalties and religion play a key role. Despite the appearance of a modern state with a progressive ideology, these factors outweigh all others at street level and in Government.

TUNISIAN polling stations opened for the country's first multi-party municipal elections yesterday, but gave most voters the choice only of casting their ballot or abstaining, Reuter reports from Tunis.

A low turnout, indicating support for an opposition boycott, would embarrass the Government of President Zine al-Abidine Ben Ali. Few voters could be seen outside polling stations in the capital and suburbs, yesterday despite radio appeals to Moslems to vote.

Business leaders want all sectors of economy included in an investment deal

US industry seeks wide-ranging Mexican trade pact

By Nancy Dunne in Washington

TWO HUNDRED top American business leaders are urging the US and Mexican governments to negotiate a comprehensive free trade and investment agreement, which would encompass more than the multilateral reforms being negotiated in the Uruguay Round.

In a report released in advance of a weekend visit by President Carlos Salinas de Gortari to Washington, the Business Roundtable recommends adoption of a "free trade plus" pact, which would embrace all sectors of the economy and include agreements on tariff and non-tariff barriers, services, intellectual property, agriculture, investment and dispute settlement procedures.

President Salinas has already received approval from the Mexican Senate to negotiate a free trade agreement with the US. The report envisages a pact as a first step in a "comprehensive North American trade and investment strategy."

Eyeing a potential market of 100m Mexican consumers before the year 2000, the Roundtable says the two neighbours should move towards "the elimination of all barriers to economic activity" while developing "appropriate transition periods to minimise economic dislocations."

Recent trade and economic reforms have already boosted economic activity between the two countries.

In 1989 US exports to Mexico rose 20 per cent to more than $24bn (£14.28bn). The US is the largest foreign investor in Mexico.

The report dismisses problems arising from the disparity of US and Mexican development and calls for a focus on the "complementary nature" of the two economies.

Mexico would benefit, it said, by new business confidence in its economy and new investment flows increasing the competitiveness of Mexican products. The US would benefit from new business in a stronger market, new manufacturing and supply relationships, and Mexico's voice for liberalisation within Gatt.

The Roundtable recommends a framework for talks to be developed as soon as possible, but that formal negotiations be delayed until after completion of the Uruguay Round.

COMPANY NOTICES

This Notice is issued in compliance with the requirements of the Council of The International Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities.

Permission has been granted by the Council of The International Stock Exchange for the admission of the De Beers Consolidated Mines Limited linked deferred and S ordinary shares and the De Beers Centenary AG ordinary shares to the Official List on the basis that they will be dealt with, in the form described below, as De Beers/Centenary linked units.

Introduction of

DE BEERS CONSOLIDATED MINES LIMITED

(Incorporated in South Africa – Reg No. 11/00007/06) ("De Beers")

and

DE BEERS CENTENARY AG

(Incorporated under the laws of Switzerland) ("Centenary")

Pursuant to the rearrangement described in the circular to shareholders issued by De Beers on 2nd May, 1990, the existing shareholders of De Beers will receive De Beers/Centenary linked units comprising De Beers linked deferred or S ordinary shares and depositary receipts issued by Centenary Depositary AG ('Centenary depositary receipts').

Each Centenary depositary receipt represents an interest in an undivided one hundredth share in a Centenary unit which comprises one Centenary ordinary share of SFr200 and one participation certificate in Centenary Holdings, a Luxembourg subsidiary of Centenary. De Beers shareholders will receive, in proportion to their existing holdings of linked deferred or S ordinary shares in De Beers, a total of 380,048,712 Centenary depositary receipts and De Beers will receive a total of 39,946,288 Centenary depositary receipts plus 50 Centenary units. A total of 4,200,000 Centenary ordinary shares have been issued.

The Centenary depositary receipts are linked to and tradeable only with the existing De Beers linked deferred or S ordinary shares in the form of De Beers/Centenary linked units.

Copies of the Listing Particulars relating to the abovementioned companies are available in the Extel Statistical Services and may be obtained during usual business hours up to and including 13th June, 1990 from the Company Announcements Office of The International Stock Exchange at 46-50 Finsbury Square, London EC2A 1DD and during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 25th June, 1990 from De Beers Consolidated Mines Limited, 36 Stockdale Street, P.O. Box 616, Kimberley 8300, South Africa, De Beers Centenary AG, Langensandstrasse 27, CH-6000 Lucerne 14, Switzerland, Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct, London EC1P 1AJ and from:

N M Rothschild & Sons Limited,
New Court,
St. Swithin's Lane,
London EC4P 4DU

Rowe & Pitman Ltd.,
1 Finsbury Avenue,
London EC2M 2PA

11th June, 1990

LEUMI INTERNATIONAL INVESTMENTS N.V.

US $60 MILLION GUARANTEED FLOATING RATE NOTES 1992

The interest rate applicable to the above Notes in respect of the six month period commencing Monday 11th June 1990 has been fixed at 8⅝% per annum. The interest amounting to US $43.84 per US $1,000 principal amount of the Notes will be paid on Tuesday 11th December 1990 against presentation of coupon No. 17.

BANK LEUMI TRUST CO OF NEW YORK
Principal Paying Agent

bank leumi בנק לאומי

THE ROYAL BANK OF CANADA

U.S. $300,000,000 Floating Rate Debenture Notes due 2085

NOTICE IS HEREBY GIVEN that for the Interest Period commencing 12th June 1990, the Notes will bear interest at the rate of 8½% per annum. The interest payable on 12th September 1990 against Coupon No. 18 will be U.S. $21.722222 per U.S. $1,000 nominal.

Agent Bank
ROYAL BANK OF CANADA EUROPE LIMITED

ART GALLERIES

COMPANY NOTICES

APPLICATION FOR AN EXTENSION TO A PRIVATE ELECTRICITY SUPPLY LICENCE

1. Full name of the applicant:-
PowerGen plc

2. Address of the applicant or in the case of a body corporate, the registered or principal office:-
53 New Broad Street
London
EC2M 1JJ

3. Where the applicant is a company, the full names of the current Directors and the company's registered number:-

Executive Directors: Robert Malpas, Edmund Arthur Wallis, David Dance, Roger Thomas Jump, Alfred Roberts, John Leonard Rennocks

Non Executive Directors: Sir Judson Graham Day, Paul Mynes, Colin Southgate

Registered Number: 2366970

4. Where a holding of 20 per cent or more of the shares of an applicant is held by a body corporate or partnership or an unincorporated association carrying on a trade or business with or without a view to profit, the name(s) and address(es) of the holder(s) of such shares shall be provided:-
Not applicable

5. Desired date from which the Licence is to take effect
1st July 1990

6. A sufficient description adequately specifying the nature and situation of the premises intended to be supplied separately identifying premises within the power bands specified in and to the extent provided by paragraph 7 overleaf:-
Any non-domestic premises with a demand of 1.0 MW or more in the following Public Electricity Supply areas:-
Eastern Electricity plc
East Midlands Electricity plc
London Electricity plc
Manweb plc
Midlands Electricity plc
Northern Electric plc
NORWEB plc
SEEBOARD plc
Southern Electricity plc
South Wales Electricity plc
Sou; Western Elhectricity plc
Yorkshire Electricity Group plc
Scottish Ppower plc
Scottish Hydro Electric plc

7. (a) Subject to sub-paragraph (b) indicate the total number of premises intended to be supplied in each power band as shown in the table below, together with the aggregate energy forecast to be supplied and the aggregate estimated demand for each power band.
(b) If the date in paragraph 5 above on or after 1st April 1994 then only Power Band A shall be completed and if the said date is on or after 1st April 1998 then this paragraph shall cease to have effect.

POWER BAND		Number of Premises	Aggregate maximum demand	Energy (GWh) to be supplied
(A)	Not exceeding 0.1 MW		None	
(B)	Exceeding 0.1 MW but not exceeding 1.0 MW		None	

8. A description of the system of electric lines and electrical plant by means of which the applicant intends to supply electricity indicating which plant and line and lines, and further identifying any parts of that system which will not be owned by or otherwise in the control of the applicant:-
Premises will be supplied by means of existing electric lines and electrical plant owned by either:-
Eastern Electricity plc
East Midlands Electricity plc
London Electricity plc
Manweb plc
Midlands Electricity plc
Northern Electric plc
NORWEB plc
SEEBOARD plc
Southern Electricity plc
South Wales Electricity plc
Yorkshire Electricity Group plc
Scottish Power plc
Scottish Hydro Electric plc
the National Grid Company plc
Electricity Operator

9. A statement of the extent (if any) to which the applicant considers it necessary for powers under Schedule 3 (compulsory acquisition of land etc) and under Schedule 4 (other powers etc) to the Act to be given through the Licence for which he is applying:
The applicant already has such powers under its existing Private Electricity Supply Licence

10. Details of any Licence held, applied for or being applied for by the applicant in respect of the generation transmission or supply of electricity:-
Generation Licence
Private Electricity Supply Licence

David J Jackson
Company Secretary
PowerGen plc
53 New Broad Street
LONDON
EC2M 1JJ

NOTICE OF REPAYMENT

OKG Aktiebolag

DKr 250,000,000
11¾% Notes due 1991

Pursuant to Condition 5 (d) of the Terms and Conditions of the Notes, notice is hereby given that OKG Aktiebolag will repay on July 11, 1990 («the Redemption Date») the total amount remaining outstanding of the above-mentioned Notes at 100½% of their principal amount, together with accrued interest from June 15, 1990 to the Redemption Date at the rate of DKr 169.72 per denomination of DKr 20,000.

Payment of principal, premium and interest will be made on or after the Redemption Date at the specified office of any of the Paying Agents listed below by Kroner cheque drawn on, or by transfer to a Kroner account maintained by the payee with a bank in Copenhagen subject in all cases to the applicable laws and regulations.

Notes must have the coupon due on June 15, 1991 attached.

Interest will cease to accrue on the Notes from the Redemption Date.

Notes will become void unless presented for payment within a period of ten years of the Redemption Date. Coupons will become void unless presented for payment within a period of five years from the due date of payment thereon.

Luxembourg, June 11, 1990

The Principal Paying Agent
Kredietbank S.A. Luxembourgeoise
43 boulevard Royal
L-2955 Luxembourg

The Paying Agents

Kredietbank N.V.
Arenbergstraat 7
B-1000 Brussels

Den Danske Bank Aktieselskab
formerly: Copenhagen Handelsbank A/S
2 Holmens Kanal
DK-1091 Copenhagen K

Kredietbank N.V.
(London Branch)
City Tower
40 Basinghall Street
London EC2R 5DE

NOTICE TO HOLDERS OF TOSOH CORPORATION

(formerly "TOYO SODA MANUFACTURING CO., LTD.")

(A) Bearer warrants to subscribe initially up to Yen 20,820,000,000 for shares of common stock of Tosoh Corporation (the "Company") and issued in conjunction with US$150,000,000 2 per cent. Guaranteed Notes 1992

and

(B) Bearer warrants to subscribe initially up to Yen 29,290,000,000 for shares of common stock of the Company and issued in conjunction with US$200,000,000 3-¼ per cent. Guaranteed Notes 1992.

Pursuant to Paragraphs 4 (A) of the Instruments dated May 14, 1987 and October 28, 1987 relating to the respective issues of the warrants referenced in (A) and (B) above, notice is hereby given to the holders of the warrants referenced above that:

(1) The Board of Directors resolved at its meeting held on May 22, 1990 that the Company cause one of its affiliates, Shin-Daikyowa Petrochemical Co., Ltd. ("Shin-Daikyowa"), and one of its consolidated subsidiaries, Yokkaichi Polymer Co., Ltd. ("Yokkaichi"), to be merged into the Company.

(2) The Company, Shin-Daikyowa and Yokkaichi have signed an agreement for the merger on May 22, 1990, and a General Shareholders' Meeting of the Company for approval of the merger is proposed to be held on June 26, 1990.

(3) If approved by the General Shareholders' Meeting, the merger is expected to become effective as of December 20, 1990.

By: The Industrial Bank of Japan Trust Company
as Disbursement Agent for and on behalf of Tosoh Corporation

Dated: June 11, 1990

CREDIT FONCIER DE FRANCE
ECU 70,000,000
11¼% Retractable Bonds Due 1998
Retractable on August 8th, 1990

In accordance with the conditions of the issue, notice is hereby given that the rate of interest will be changed on the interest option date and will be fixed at 10.45% p.a.

For the period from August 8th, 1990 to August 8th, 1998

Luxembourg, June 8th, 1990

UK NEWS

Coloroll to close plant and make 1,000 redundant

By Clare Pearson

ABOUT 1,000 employees of Coloroll, the British consumer products company which was placed in receivership last week, are to lose their jobs.

Mr Nigel Hamilton of Ernst & Young, joint administrative receiver, made the announcement last night after a weekend review of the operations of the heavily indebted group.

A furniture plant at Dudley in the West Midlands is to close immediately with the loss of 600 jobs and the 1,100-strong workforce at a Boston, Lincolnshire, home furnishings plant is to be reduced by 400.

Mr Hamilton said there were no plans to make redundant "any further large numbers of Coloroll's employees," who will now number about 7,500 in 18 sites in the Midlands, the north of England and Scotland.

As administrative receiver, Mr Hamilton is charged, where possible, with seeking buyers for Coloroll's businesses as going concerns. He said the redundancies at Boston were designed to enable it to continue to operate efficiently.

The Dudley furniture factory had been expected to close before Mr Hamilton's appointment. He said the staff had been on holiday for some time.

Ernst & Young will aim to raise enough through sales to repay as much as possible of Coloroll's debts to banks and other creditors – estimated at up to £400m.

Coloroll, once a stock market star, incurred the debts as it expanded rapidly through acquisition, but they became increasingly unmanageable in the face of rising interest rates, which at the same time dented consumer demand for its products. Coloroll's other businesses include carpets, commercial glassmaking, wall coverings and ceramics. Mr Hamilton has said there had been several approaches for parts of the group.

Receivers from Ernst & Young were appointed after banks withdrew support for a rescue proposal on Tuesday night.

Decision on tunnel rail link due

By Andrew Taylor, Construction Correspondent

THE GOVERNMENT is expected to decide this week whether to support plans to build a privately financed £2.6bn high-speed rail link between the Channel tunnel and King's Cross station in central London.

Ministers appear to have been preparing the ground for a rejection recently, claiming that the bill to taxpayers could be enormous if costs rose dramatically, as they have in the Channel tunnel project.

Promoters of the high-speed link – Trafalgar House, the construction, property, shipping and hotels group; BICC engineering group and British Rail – are seeking a £350m subsidy which they say would provide extra capacity for commuter traffic which would use the new line.

A small group of senior ministers, led by the Prime Minister, has been considering the proposals, which would require the government to promote a Bill through parliament backing the high-speed link.

They are expected to present their recommendations to a full Cabinet meeting on Thursday.

Some senior ministers are concerned that the government could lose the support of voters in south London and parts of Kent if it supported a route which has already affected property values and would cause some people to lose their homes alongside the high-speed line.

Cecil Parkinson: "existing track adequate from 1993"

Mr Cecil Parkinson, Transport Secretary, has recently questioned the value to taxpayers of a high-speed link.

He says current plans to upgrade existing track between the Kent coast and Waterloo station in London will be adequate to carry Channel tunnel passengers from 1993, when the tunnel is due to open, until close to the end of the century.

He has also suggested that the amount of public money being sought by the promoters is far higher than £350m. This is denied by European Rail Link, the consortium promoting the high-speed link.

The confusion has arisen over a £1bn loan which the government previously agreed to provide to British Rail to upgrade the track between the tunnel and Waterloo station.

European Rail Link however has proposed that it takes over the financial management and operation of Channel tunnel trains to London from 1993 although a high-speed link would not be ready until 1998. It would also assume responsibility for the loan which it has guaranteed to repay by 2010.

The consortium would have the advantage of using revenue from the Waterloo line to help finance the construction of the high-speed link. It would involve no new public money other than that already pledged to BR.

Trafalgar House has adopted a similar formula at Dartford in Kent where the group is helping to pay for a new privately financed bridge across the river Thames by using tolls from the existing tunnel crossing.

Employers urged to encourage volunteer work programmes

By Alan Pike, Social Affairs Correspondent

BUSINESS LEADERS will be urged this week to extend the notion of employee volunteering, which is widespread in the US, to Britain.

A conference in London to be addressed by the Prince of Wales will emphasise that employees, companies and the community can all benefit if employers encourage staff to undertake social activities.

The initiative comes at a time when research by the Volunteer Centre UK – a national advisory agency supported by the Home Office – shows that the number of people doing voluntary work is in decline, in spite of increased efforts by charities and the Government to encourage it. A survey among the 30,000 full-time employees of Whitbread, which is sponsoring the conference, suggests that this could be reversed if industry took the lead in promoting volunteering.

About 25 per cent of employees who had never taken part in voluntary work said they would be more inclined to do so if the company set up a volunteering programme. Another 28 per cent who had been involved in voluntary projects felt that they would become more active with company support. Representatives of about 60 leading companies will hear the Prince of Wales, a strong advocate of volunteering, and other speakers call for action from industry at Friday's conference.

Whitbread has already set up a pilot volunteering programme in Portsmouth, where staff are working with children with learning difficulties. Another two pilots will be established in the autumn.

Some UK-based companies, including Allied Dunbar and IBM, have volunteering schemes but the idea remains in its infancy compared with the US. Mr Tabor says US experience indicates that it is not always necessary for employees to be allowed time off to do voluntary work – more important is the need for employers to organise schemes and encourage participation.

This is supported by the Volunteer Centre's research, which shows the main reason people do not take part in voluntary work is that they have never been asked to do so.

Increasing interest in older workers

By John Gapper, Labour Editor

EMPLOYERS are becoming more open to recruiting older workers, but believe they are best suited to jobs which are repetitive, low-skilled, and involve a low degree of responsibility, according to a new study.

The study of employer attitudes and practices found companies believed older workers had attributes such as reliability and commitment which made them better than younger workers at relatively mundane jobs.

The survey of 20 large employers was undertaken against a background of growing interest in older workers because of labour shortages in the south-east, and longer-term demographic changes in the workforce. It confirms that although employers are increasingly advertising for older workers in tight regional labour markets, they want them mainly to perform lower grade tasks.

Among the positive qualities attributed to older workers by employers were that they were more careful, reliable, responsible, and stable. They were also felt to have greater loyalty, and skill in dealing with other people. But they were also thought to have fewer ideas and expectations, to be physically weaker and to lack confidence and adaptibility.

The sort of jobs cited by employers as suitable for older workers were routine clerical tasks, selling jobs, counselling and caring jobs, jobs involving tedium, waste disposal, cooking and carrying things.

CONTRACTS & TENDERS

PLATEAU AGRICULTURAL DEVELOPMENT PROGRAMME
P.M.B 2119, DOGON DUTSE,
JOS, PLATEAU STATE, NIGERIA.
(TEL. 073/54581 TELEX: 81366 PADP JS NG)

INVITATION FOR BIDS (IFB)

Date of Issuance of IFB: 1 JUNE, 1990
Loan No: 2733-UNI
IFB No: PADP/ICB4/90

1. The FEDERAL GOVT. OF NIGERIA has received a Loan from the International Bank for Reconstruction and Development of the World Bank in various currencies towards the cost of the MULTISTATE ADP - I and it is intended that part of the proceeds of this loan will be applied to eligible payments under the contract for AGRICULTURAL CHEMICALS required by the Plateau Agricultural Development Programme (PADP), for Plateau State.

2. Plateau Agricultural Development Programme now invites sealed bids from elgible bidders for the supply of:

LOT	ITEM	CHEMICAL NAME OF PRODUCT	QTY LITRES/KG	DELIVERY PERIOD	VALUE OF BID SECURITY
1	1	Metholachlor + Atrazine (1:1 ratio) - flowable	10,00 LT	180 Days	US$2,500 or N20,000
2	1	Metholachlor + Atrazine (2:1 ratio) - flowable	5,000 LT	180 Days	US$1,300 or N11,000
3	1	Metobromuron + Metolachlor - Emulsifiable concentrate	5,000 LT	180 Days	US$2,600 or N21,000
4	1	Oxadizon - Emulsifiable concentrate	5,000 LT	180 Days	US$1,800 or N15,000
5	1	Oxadizon + Propanil - Emulsifiable concentrate	8,000 LT	180 Days	US$2,700 or N22,000
6	1	Pirimiphos Methyl-Dust	7,000 LT	180 Days	US$1,000 or N8,000

Bidders may submit bids for the supply of Goods under one or more coplete Lost: Bids for incomplete lots will be rejectd. Bids will be evaluated seperately for each lot.

3. Interested eligible Bidders may obtain further information from and inspect the bidding documents at the office of:

PLATEAU AGRICULTURAL DEVELOPMENT PROGRAMME
DOGON DUTSE,
P.M.B. 2119, JOS
PLATEAU STATE, NIGERIA
TEL: 073/54581, 56452
TLX: 81366 PADP JS

They may also inspect the documents only, at the office of:

2. FLEXITRON LIMITED
ROYAL OAK HOUSE
45A PORCHESTER ROAD
LONDON W2 5NR
TEL: 221-1275
TLX: 299178/295138

4. A complete set of bidding Documents may be purchased by any interest eligible Bidder on submission of a written application to any of the above and upon payment of a non-refundable fee of £50 or N500. if purchased in Nigeria.

5. In the comparison of evaluated bids, a margin of preference will be given to goods manufactured in the Nigeria (para 27 of Section II refers)

6. All bids must be accompanied by a security for the value specified above in paragraph 2, either in Naira if a local bid or in a freely convertible currency if a foreign bid, equivalent to the US Dollar vlaue specified as prescribed in Clause 15 of Section II - Instructions to Bidders and must be delivered to the office of the Programme Manager, Plateau Agricultural Development Porgramme, at the above address on or before 10.00 A.M. on JULY 31, 1990.

6. Bids will be opened in presence of Bidders' representatives who choose to attend at 10.00 A.M. on JULY 31, 1990 at the above office.

(Sd.) Y. NYAM
Ag. PROGRAMME MANAGER

NOTE: This IFB is an update of the Notice which appeared on page 11 of the Development Business (No. 293) dated 30-04-90.

REQUEST FOR PROPOSAL: BOX OFFICE SYSTEM SYDNEY SYMPHONY ORCHESTRA

The SSO is seeking a computerised box office/patron data system. Details and Tender forms may be obtained from Helen Christopoulos, Contracts and Purchasing, Australian Broadcasting Corporation, 150 William Street, Sydney, NSW, 2000, Australia.

Telephone: (612) 356 5014. Fax: (612) 356 5075.
TENDERS CLOSE 8 August 1990. A$200.00 deposit will be required for each set of tender documents. The deposit will be REFUNDED to a Tenderer upon lodgement of a BONA FIDE TENDER.

LEGAL NOTICES

NATURAL RESOURCES LIMITED (IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986 that a meeting of the unsecured creditors of the above named company will be held at:

Shelley House, 3 Noble Street, London EC2V 7DQ

on 21 Juen 1990 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on 20 June 1990, written details of the debt they claim to be due to them from the company, and the claim has been duly admitted under the provision of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Date 6th June 1990

R.M. Addy
C.J. Hughes
Joint Administrative Receivers

ASTWOOD INVESTMENTS LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham on 21 June 1990 at 11.00 am for the purposes of having laid before it the report prepared by the joint Administrative Receivers in accordance with the said section and, if thought fit, appointing a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham B2 5JT no later than 12 noon on 20 June 1990. Forms of proxy which, if intended to be used, must also be lodged with us by that time. Photocopies (including faxed copies) are not acceptable.

DATED this 6th day of June 1990

John F Powell
Joint Administrative Receiver

LECREST LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at the Grand Hotel, Colmore Row, Birmingham on 21 June 1990 at 10.[illegible] am for the purposes of having laid before the report prepared by the Joint Administrative Receivers in accordance with the said section and, if thought fit, appointing a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on 20 June 1990. Forms of proxy which, if intended to be used, must also be lodged with us by that time. Photocopies (including faxed copies) are not acceptable).

DATED this 6th day of June 1990

John F. Powell
Joint Administrative Receiver

NEEDWOOD HOLDINGS LIMIED

Registered number: 1965656
Trading name(s)
Needwood UBM
Needwood Sinums
Nature of business: Builders Merchants
Trade classification: 22
Date of appointment of joint administrative receivers: 25 May 1990
Name of person appointing the join administrative receivers
Security Pacific National Bank
CHRISTOPHER JOHN HUGHES and JOHN FREDERICK POWELL
Joint Administrative Receivers
(Office holder nos 1 and 249) of
Cork Gully
43 Temple Row,
Birmingham
B2 5JT

RENTALS

Pilot saved as aircraft loses windscreen

By Maurice Samuelson

BRITISH AIRWAYS is checking windscreens on all its BAC One-Eleven aircraft after one of its pilots was nearly sucked into the slipstream yesterday when the jet he was flying lost its windscreen 20 minutes after takeoff from Birmingham Airport. The aircraft was above 20,000 feet at the time of the incident.

Crew members struggled to haul the pilot back into the cockpit before the BAC One-Eleven, carrying 81 passengers to Malaga in southern Spain, made an emergency landing at Southampton.

British Airways last night said that the windscreen on the aircraft had been fitted on Friday "as part of routine maintenance."

Following yesterday's incident, it was now checking windscreens on all its One-Elevens "as a precautionary measure." There are 13 aircraft of the same type as that involved in the incident used by BA on domestic and European routes.

Capt Tim Lancaster, piloting flight BA 5390 from Birmingham to Malaga, tried to cling to the controls but was dragged out through the window. His clothes were ripped from his body by the slipstream.

The aircraft went into a dive before the co-pilot, Mr Alistair Atcheson, took over the controls and made an emergency landing at Southampton's Eastleigh airport.

The captain, a married man based at Birmingham, was seriously injured. Four passengers and all the other crew members received treatment but were not thought to be seriously hurt.

Mr Nigel Ogden, an air steward, who was on the flight deck, saved the pilot's life by grabbing his legs and clinging to a chair.

Passengers later described the events. Ms Margaret Simmonds said: "I could see a body hanging out of the window with two men and a woman hanging on to his legs. They were trying to stop him being sucked out."

Another said there was a bang and he thought there had been an explosion or a door had come off. "The steward was holding the pilot in, to stop him going through the windscreen. You could see his legs hanging down and he was grabbing hold of him to pull him back."

All but seven of the passengers, believed to be from the Birmingham area, continued their flight to Spain on another aircraft.

Policy on BSE to be criticised

GOVERNMENT assurances on the safety of British beef and its handling of "mad cow disease" are coming under renewed pressure.

Professor Richard Lacey, Professor of Microbiology at Leeds University, will again criticise the Government's policy on bovine spongiform encephalopathy (BSE), when he gives evidence on Wednesday to the the Commons agriculture committee.

He is expected to question the safeguards contained in last week's EC agreement on beef exports and to say that hygiene standards in slaughterhouses still pose a serious risk. Mr David Clark, Labour's agriculture spokesman, yesterday said the agreement might tempt farmers with infected herds not to admit the presence of the disease in case it hit their livelihoods.

The Calibra: GM re-enters the medium-coupé sector

GM hopes to increase market share to 17%

By Kevin Done, Motor Industry Correspondent

GENERAL Motors today launches the Vauxhall Calibra coupé in Britain. It is the most significant move by a traditional west European car maker back into the medium coupé market, which has been dominated in recent years by Japanese producers.

The car, badged Opel Calibra in continental European markets, went on sale last week in West Germany, Austria and Switzerland. It will be launched in most other west European markets in September.

GM hopes that sales of the car will help to push Vauxhall's share of the British new car market to a record 17 per cent this year.

Vauxhall last year moved into second place behind Ford in the UK for the first time, overtaking Rover and increasing its market share to 15.2 per cent from 13.7 per cent in 1988.

The company expects car sales of about 353,000 this year, giving it 17 per cent of the market, in spite of a forecast 8.5 per cent drop in new car sales in the UK.

With the Calibra GM is re-entering a sector of the western European market that was dominated at the end of the 1970s by the Ford Capri and Opel Manta. European producers largely ceded the market to their Japanese rivals in the early 1980s.

Thatcher sees broad Nato role

By Ralph Atkins

MRS MARGARET THATCHER has widened the debate about the future of Nato and its links with Europe to include a role for the dollar and the spreading of a free trade area across the Atlantic.

The Prime Minister, in an interview broadcast yesterday on TV-am, reiterated her support for proposals that Nato should become more of a political forum embracing relations between the US, Canada and Europe.

But she went on to say there was no reason why there should not also be much closer trading associations across the Atlantic.

That could involve a free trade area between the US, Canada and the European Community, she suggested.

Mrs Thatcher said: "As we talk about things in the European monetary system, why shouldn't we also think of talking about some kind of relationship which involves the dollar?"

Recently the Prime Minister has appeared more emollient on Europe, at least in public, and has softened her stance on British membership of the EC's exchange rate mechanism. But she retains deep misgivings about the federalist stance of some other member states.

By hinting at a broader role for Nato she has signalled her determination that progress towards European political and monetary union should not diminish the importance of the defence alliance or of traditional links between the UK and the US.

Her comments, recorded in an interview in Kiev, in the Ukraine, on Saturday, highlight the broad range of opinions – in the UK and elsewhere – on the future of Nato and its relationship with the European Community.

Mrs Thatcher's remarks also highlight the debate continuing within the Conservative Party about the changing structure of East – West relations and the implications for the EC.

Last week Mr Nicholas Ridley, Trade and Industry Secretary, set out his vision of a wider European Community in which individual member states would be free to choose the extent to which they participated in economic and monetary union.

His suggestion that members could opt out of EC arrangements was widely interpreted as a proposal unlikely to find favour at the Foreign Office or among pro-Europe Conservative backbenchers.

Inflation seen as crucial to EMS entry

By Andrew Marshall, Economics Staff

UK INFLATION must be no more than 1 percentage point higher than the EC average to enable full entry into the European Monetary System, according to City economists.

However, the forecast highlights the continuing uncertainty over which inflation measure the Government will use to determine when the last significant barrier to the UK's entry into EMS has been overcome.

The survey of 20 economists by IDEA, the financial research company, found that opinions on the maximum differential varied between 0.5 and 4 percentage points. The average was one percentage point.

Mr John Major, the Chancellor, has refused to commit himself on which measure of inflation he will use. But he has said that, after stripping out the impact of the poll tax and mortgage interest rates, Britain's underlying inflation rate, at 6.75 per cent, is only slightly above the European Community average of 5.2 per cent.

UK prices are increasing at an annual rate of 9.4 per cent, as measured by the retail prices index. But that overstates the differential with the rest of the EC as the RPI includes prices that are not included in European measures.

The independent Institute for Fiscal Studies estimates that on a more representative measure UK inflation is 6.4 per cent.

The institute adopts a different method of measuring the price of housing services employed by owner occupiers.

It also excludes the effect of the switch from domestic rates to poll tax. On the IFS measure, Britain's core inflation is still higher than the European average, but the gap is likely to close much more rapidly than on the basis of the RPI.

However, Mr Jim O'Neill, director of financial markets research at Swiss Bank, has pointed out that the Chancellor's figure for average EC inflation includes the UK.

He calculates that, if the UK figure is excluded, the EC inflation rate is about 4 per cent.

MP seeks security review after IRA attack in London

By Maurice Samuelson and Ralph Atkins

THE GOVERNMENT will be asked today to review security procedures on military premises after an IRA attack on the British mainland in which 17 civilians were hurt.

Mr Chris Smith, Labour MP for Islington South, said yesterday he would call in Parliament for a review of the level of security provided buildings connected with the armed forces.

He was commenting on the bombing on Saturday night of the Honourable Artillery Company headquarters in City Road, London, which is in his constituency.

Mr Archie Hamilton, Armed Forces Minister, said the IRA was almost certainly responsible for the incident even though no one had claimed responsibility.

Speaking on BBC Radio, he said: "There is some evidence now that the IRA is not achieving much publicity in its campaign in Northern Ireland and, finding a stubborn resistance from the people there, is now transferring its campaign to the British mainland hoping to have more success."

His comment coincided with a separate attack yesterday by animal liberation activists. A boy of 13 months was seriously hurt by a car bomb explosion, whose intended victim was an animal researcher at Bristol University.

A sniffer dog at the bomb blast scene in City Road

It followed a similar attack a week ago on a veterinary surgeon connected with the Porton Down, Wiltshire, chemical warfare defence establishment, where animals are used for experiments.

The London bomb injured 17 people attending a party at the HAC headquarters. The guests, most of whom were civilians, were attending the 21st birthday party of Mr Mark Venn, a Cambridge law student.

It is the fourth IRA attack in Britain in less than a month. In total,27 people have been injured and two killed, including a soldier gunned down at Lichfield City Station in Staffordshire.

In the same period IRA gunmen on the Continent have shot dead three people, a British Army officer and two Australian tourists mistaken for British servicemen.

Referring yesterday to the "random nature" of IRA attacks, Mr Hamilton said: "We have to really look and review our security procedures as each attack takes place baby and, where we can, improve them."

Mr David Waddington, Home Secretary, said: "We must all, not just military personnel, keep alert to the possibility of terrorist attacks at any time."

Detective Chief Superintendent Derek Willison, deputy head of Scotland Yard's Anti-Terrorist Squad, said he believed the IRA had planted the City Road bomb within the previous 24 hours.

It was placed on the roof of the HAC building and the blast ripped through the ceiling of the third-floor bar below, causing extensive damage.

Manx bank recompense move today

By Sue Stuart

THE Chief Minister of the Isle of Man will announce today his proposals for a scheme of *ex gratia* payments to former depositors of the failed Savings and Investment Bank, exactly eight years after the Manx bank closed its doors.

When the bank's licence was revoked in June 1982 it left debts of £42m and about 2,500 creditors. So far they have not recovered any of their money. By far the largest number of creditors had deposits of £20,000 or less.

For many of these smaller depositors the sums deposited represented life savings, and the past eight years have brought an exhausting round of court battles and liquidators' meetings.

Last month a 1982 report by two Bank of England officials was published saying banking supervision was grossly deficient. Mr Miles Walker, the Manx chief minister, said of the report: "It does not point out some marginal deficiency. It condemns the system of the day, root and branch."

That criticism of the system, which has since been overhauled and brought up to a high standard, prompted the decision to make *ex gratia* payments to the depositors.

Depositors have long felt that the Manx Government owed them compensation. For years more than 400 depositors backed a representative action for damages in the civil courts, alleging that the Manx Treasury had been negligent. That ended in April when the Privy Council's judicial committee ruled that no duty of care was owed.

The liquidators have undertaken long legal battles in Britain and abroad to recover the lost money – so far they have received £13m, but it has cost £5.5m to recover it.

They expect creditors to receive their first interim dividend of 15p in the pound by the end of this month. The legal costs of the depositors' action against the Manx Government will reduce this by about half for the 400 creditors in the representative action.

GEC wins joint ship defence deal with Dassault

By David White, Defence Correspondent

GEC-MARCONI, the defence arm of Britain's General Electric Company, has set up a second formal link with Dassault Electronique of France in an emerging alliance in defence electronics.

The companies are teamed in one of two parallel contracts awarded by the Ministry of Defence for work on a new "active" decoy to protect ships against missile attack.

The other contract for project definition studies on the electronic-warfare decoy system has been won by Thorn EMI.

GEC-Marconi and Dassault Electronique are banking on progress in discussions between the Royal Navy and French navy aimed at harmonising their operational requirements and saving on development funds.

The British company's Marconi Defence Systems offshoot has been working on a prototype system called Siren since 1982, when the Falklands conflict prompted a search for an effective decoy against radar-homing missiles. The French company started developing its own system two years later. Both have undergone trials.

The decoys, which would send out signals to lure incoming missiles away from the ship, would be a significant improvement on the current Nato Sea Gnat system. All UK warships would be expected to carry them.

Collaboration between GEC-Marconi and Dassault Electronique began early last year with an agreement to work together on a radar "seeker" for air-to-air missiles. The British company is also trying to bring Dassault Electronique into a collaboration pact with France's state-controlled Thomson-CSF on the next generation of radars for combat aircraft.

The latter project is based on an agreement reached last year between Thomson-CSF and Ferranti Defence Systems, which has since been taken over by GEC. Inclusion of the second French company would create a broad Anglo-French front to compete against US producers in this sector.

Westland nearer winning Saudi helicopter order

By David White

WESTLAND HAS moved closer to securing a Saudi Arabian deal that would end the company's lack of sales of new helicopters.

In recent negotiations with British Aerospace – which acts as prime contractor for Britain's £15bn framework arms supply agreement with Saudi Arabia – the Saudis have increased the priority accorded to the Westland deal.

A contract for Westland-made Black Hawk helicopters may now be signed this year, although this is expected to cover only about half of the 88 helicopters – worth about £1bn – that are envisaged in the framework agreement.

The contract would provide the launch order for Westland's WS 70 version of the Black Hawk, made under a licence from Sikorsky of the US.

Westland, based in Yeovil, Somerset, hopes that the Saudi order will pave the way for other Middle East contracts.

The Ministry of Defence, which originally said it had no requirement for Black Hawks, is now also considering buying the troop-carrying helicopter for the RAF as an alternative to the EH101 being developed by Westland and Augusta of Italy.

British supplies to Saudi Arabia under the Al Yamamah II deal – signed by the two governments almost two years ago – have been slowed by problems in the financing arrangements, which are based on liftings of Saudi crude oil.

Tory 'nice guy' follows political mentor to Wales

Anthony Moreton assesses whether David Hunt will be able to win the respect awarded to Peter Walker

MR DAVID Hunt is still ploughing through more than 1,000 letters that have landed on his desk since last month, when he joined the Cabinet as Secretary of State for Wales.

The number is a reflection not just of the issues and pressures within Wales but also of Mr Hunt's reputation as one of the "nice guys" of politics. He is well liked in the House of Commons and his standing was enhanced by a stint in the whips' office.

Alongside the letters that landed within days of Mr Hunt's arrival, however, came news that the privately-owned Brymbo steelworks in north Wales was to close. Mr Hunt quickly turned this potential political bomb to his own and to Wales's advantage.

He was in north Wales, opening a factory, an engagement bequeathed by his predecessor, Mr Peter Walker, when the news arrived. Immediately, he began talks with local officials and within two days had met executives from United Engineering Steels, Brymbo's parent company, both sides of industry and the Welsh Development Agency.

United Engineering agreed to open its books to the WDA and the agency was given a worldwide remit to look for a buyer. Already, "we have had some interest shown from one or two people," says Mr Hunt.

The response in Wales to the Brymbo closure won plaudits at the top of the Government. It came just when Scotland learned of British Steel's decision to shut the strip mill at Ravenscraig. The Scots were thought, in some quarters, to have "whinged" about that decision, whereas Wales was making the best of a bad job.

Alan Harper

David Hunt: prefers to be called a "pragmatic progressive" rather than a "wet"

"There were deep-seated problems at Brymbo," Mr Hunt says. "But we tackled them in a realistic way and this is a message I shall be taking around the world.

"There is admiration in government for the way in which Wales has tackled change and the country is now on the memo pad of every company that wants to set up operations in Europe.

"Wales has proved its willingness to adapt to new technologies better than anywhere else in Europe. I want to turn acceptance . . . into a steady flow of new investment."

Mr Hunt pays credit to the work of his Conservative predecessors, Mr Nicholas Edwards, now Lord Crickhowell, and Mr Peter Walker.

It is a measure of Mr Hunt's acceptance in Wales that his appointment did not prompt the sort of noisy nationalism that greeted Mr Walker when he arrived three years ago at the Welsh Office in Cardiff's Cathays Park.

Mr Walker used to joke that at least he could see Wales from his Worcester constituency home. A view of Wales appears to have become almost a prerequisite for Conservative secretaries of state, although no such problem faces Labour with its plethora of local MPs. Mr Hunt can also see the principality across the River Dee from his constituency home in the Wirral.

There is an even closer connection in his case. Mr Hunt and his sister were both born in Wales. They were brought up in the village of Glyn Ceiriog, Clwyd, after the family moved to North Wales in the Second World War.

Mr Hunt lived there until he was nearly eight, when the family moved to Liverpool. He later worked as a solicitor in Bristol after studying law at Bristol University.

Mr Peter Walker's act will not be easy to follow. Mr Walker had great experience of high office, including trade and industry, environment, agriculture and energy and was a high-profile minister. At least once a week he could be found somewhere in Wales, opening this, making a presentation of that, or speaking at a dinner.

Mr Walker was, to some extent, Mr Hunt's political mentor. As a junior at energy Mr Hunt worked on gas privatisation with Mr Walker and the two worked together in the battle with Mr Arthur Scargill and the mineworkers during the year-long strike of 1984-85.

They are also politically similar. Mr Hunt rejects the description "wet." He calls it "completely out-of-date now." He would prefer to be described as a "pragmatic progressive."

Whether Mr Hunt will cut any more ice than Mr Walker among the Labour strongholds of Wales remains to be seen. Mr Walker was respected and even admired by his political opponents, but when he left office the Tories held only seven seats in Wales against the eight when he took over.

Two of those seven are highly marginal and Mr Hunt has a political job to shore up the party in Wales as well as to boost the local economy. "There is increasing evidence," he says, "that the Labour Party is out of touch, out of date and out of step."

This role of political proconsul is one he shares only with Mr Malcolm Rifkind, the Scottish Secretary. It is inconceivable, for instance, that Mr Nicholas Ridley, at Trade and Industry, should have any responsibility for, say, Conservative performance in Yorkshire and Humberside.

The full scope of his role has come as something of a surprise. "Wales is a miniature government in itself," he says. "I have control, within the country, of health, education, transport, and a host of other matters.

"I knew before I arrived there was a wide range of responsibilities but they are wider than I anticipated: the breadth of them is enormous."

He describes his task as forging a "positive partnership," adding: "Unity of approach is central to my philosophy. I want to focus on what we can agree about."

He has begun meeting the key figures in Wales and between now and the summer recess hopes to see them all. On those meetings will hang his personal success as well as that of his party in Wales.

Labour policies costed by analyst

By Andrew Marshall, Economics Staff

THE Labour Party's policy commitments imply expenditure £50bn higher than current levels, according to a City analyst.

The forecast underlines the City's concern at the potential consequences of a shift in control at Westminster for the UK's fiscal health, and its growing belief that a change in Government is possible.

Simon Briscoe of Greenwell Montagu, market maker in gilt-edged securities, says in the firm's weekly gilts comment that a Labour Government would probably have to limit increases in expenditure to £12bn in the first year in power.

This is based on policy requirements laid out in Looking to the Future, Labour's policy document published last month.

Assuming that the UK is in fiscal balance in 1991-92, this would create a public sector borrowing requirement of £9bn in the fiscal year 1992-93.

● Labour yesterday sought to cast the Conservatives as the party of tax increases, writes Ralph Atkins.

It issued figures showing that the tax burden on an average UK family had risen from 23.6 per cent to 25.6 per cent since 1978-79.

Mrs Margaret Beckett, shadow Chief Secretary to the Treasury, said a family with two children earning £14,000 a year would have gained from income tax cuts but lost from the doubling of VAT in 1979 and rises in National Insurance contributions.

She said at the Labour women's conference in Skegness that the figures did not include the effects of poll tax, gas and electricity price rises, higher mortgage rates, prescription charges and the freeze in child benefit.

Boost for Rainham leisure complex

By David Churchill, Leisure Industries Correspondent

AN interdepartmental committee has been set up in Whitehall to help produce a financial package to persuade the US entertainments group Music Corporation of America to build a £2bn complex including Universal Film Studios and a theme park at Rainham Marshes in east London.

Friends of the Earth, the environment group, alleged last week that radioactive waste had been dumped on the site. The developers said the waste was low-level and easily handled.

The committee is understood to have been formed with the the Prime Minister's support. She believes the jobs and tourist income to be generated by the Universal project should not be lost to Britain.

On April 5 the local authority, Havering borough council, granted outline planning permission for development of the site by MCA, British Urban Developments, a construction consortium, and the Rank Organisation.

The French Government is understood to have offered MCA a £250m package of benefits if the studios and theme park are sited outside Paris. That would be near the Disneyland project due to open in 1992 and would help make the region Europe's leading leisure development of the 1990s.

Rank, which has not yet made a formal commitment to the European project, prefers a UK location for the new studios. MCA is expected to choose the country which offers the best financial deal.

UK government support depends on grants and benefits available under existing policy for large developments. That may not be enough compared with the French offer, thought to be similar to the deal offered to Disneyland.

UK NEWS

Cost review may alter gas prices

By David Thomas, Resources Editor

A SWEEPING REVIEW of gas prices which could lead to price changes for 17m domestic and industrial customers is being announced today by the Office of Gas Supply (Ofgas), the industry's regulatory body.

Mr James McKinnon, director general of Ofgas, is understood to have concluded that British Gas cost structures need overhauling. An overhaul would feed through into changes in the charges British Gas is allowed to make.

Mr McKinnon is to publish today proposals for a review of the formula governing British Gas charges to its monopoly customers – those using less than 25,000 therms a year.

At present, British Gas must keep its annual price rises to those "tariff customers" to 2 percentage points below the change in inflation, after allowing for gas purchase costs.

Ofgas intends to complete the review – the most comprehensive of British Gas's regulatory regime since the 1986 privatisation – by about the end of this year. That will give ample time for the new formula to be brought into effect by the April 1992 deadline.

Mr McKinnon has recently completed a lengthy exercise to disaggregate the costs incurred in supplying British Gas's different types of customers.

That exercise is crucial to the pricing review, because the cost allocation will allow Mr McKinnon to decide what rate of return British Gas is making on regulated sales and whether it is too high or too low.

The regulator has not presented the conclusions of his cost disaggregation exercise to British Gas. Nevertheless, in the company's view, Mr McKinnon has concluded that British Gas loads too many costs on to its unregulated customers, known as "contract customers." Those are industrial users consuming more than 25,000 therms a year.

If that conclusion was adopted, it would force British Gas to cut prices in the contract sector. In theory it could also result in price increases to tariff customers – households and commercial customers.

However, British Gas believes that Mr McKinnon will avoid such a course, arguing that the company's returns on its tariff business are already too high.

Separately, the company is now confident that Mr McKinnon will not change the basic structure of the price formula.

Attention is therefore likely to focus on whether the annual squeeze on prices should stay at 2 percentage points and whether it should still pass its purchase costs on to customers.

Cardiff college in £30m joint science park venture

By Anthony Moreton, Welsh Correspondent

UNIVERSITY College in Cardiff is to build a £30m science park on the outskirts of Newport, Gwent, in conjunction with Portico Estates, a London development company.

The college, which is part of the federal University of Wales, becomes the third college in the principality to set up a science park.

The others are Aberystwyth and Swansea.

Aberystwyth has a small site on the edge of the town.

Swansea's site, like that in Leeds, is a self-contained building within the campus itself.

Cardiff's science park will be on a 15-acre site about 11 miles from the college's main buildings.

The college already occupies the site which is now devoted to research into grassland.

It is next door to a business park which contains the research and development headquarters for AB Electronics.

TSB, whose headquarters for its general insurance business are nearby, is also building a computer centre there.

Work on the site is expected to begin next year.

University College intends to use one of the buildings.

Black Bob . . . a man of steel and hard decisions

Charles Leadbeater assesses the record of Sir Robert Scholey as he prepares to hand over the reins

SIR Robert Scholey, the chairman of British Steel, is a symbol of the decade just departed. More than anyone he is associated with the transformation of British Steel from corporate basket case in the early 1980s into one of the most profitable steel companies in the world.

This afternoon he will unveil the company's 1989 results which are expected to show a healthy improvement on last year's profit of £593m. After a decade of cutting costs and capacity British Steel is poised to make its first significant foreign acquisition in the shape of the Trisdorf subsidiary of Klöckner-Werke, the West German steel, plastics and chemicals group.

Sir Robert – known by his employees as Black Bob – seems like a 1980s reincarnation of the steel barons of the 19th century. It is as if he sees his role as carrying their spirit of enterprise into the modern world. He has a well-earned reputation for speaking bluntly, taking hard decisions and showing little remorse.

He willingly accepts the description "Thatcherite businessman," as if any other description would be not merely inaccurate but vaguely improper. Along with Lord King, the chairman of British Airways, Sir Robert is regarded as one of Mrs Thatcher's favourite businessmen.

But both men are heading towards retirement just as the Labour party is running ahead in the polls having mounted the most effective challenge yet to Mrs Thatcher's tenancy.

Sir Robert Scholey: ready acceptance of the description "Thatcherite businessman"

Is the era of the "Thatcherite businessman" drawing to a close? The idea does not go down well with Sir Robert.

A Thatcherite businessman means something more than dedicated professionalism. In his case it means that beneath the bottom line of profit and loss run the ethics of Thatcherism: hard work, individual choice and fervent national pride.

Ironically it is these values which lead him to a mixed judgment of industry's achievements in the past decade. His loyalty to Mrs Thatcher is unalloyed: "Mrs Thatcher has left an indelible mark so far. I stress: so far."

He does not return from trips to the Continent brimming with pride. "There is too much in this country which is not of the best. There is too much inefficiency and excessive cost. I do not like to see other parts of Europe moving ahead. I feel that very strongly," he says.

Too little has been done about the level of imports in spite of complaints, he says. There is too little imaginative management and design and too little motivation and attention to customers. Even after a decade of Thatcherism, Britain still wants capitalism without enough people prepared to be capitalists.

Although Sir Robert identifies closely with Mrs Thatcher, he rejects as midly slanderous the suggestion that British Steel's business is still entwined with politics, if only through the Government's residual golden share which expires in 1993.

He has little to say on the planned closure of the hot strip rolling mill at Ravenscraig with the loss of 770 jobs, which seems certain to be the first stage in British Steel's strategic withdrawal from steel making in Scotland. His silence has enraged Scottish politicians.

The company's judgment is that the closure was bound to provoke an outcry in which British Steel would be cast as the villain of the piece whatever it did and however much it tried to explain its case.

The Ravenscraig closure is part of British Steel's unfinished agenda of the 1980s: to wrest the business from the expediencies of political control to commercial discipline.

Therein lies the Thatcherite businessman's riposte to the argument that the management task of this decade will be very different from the last.

The new breed of internationally mobile, environmentally conscious, Euro-managers, will argue that raising the productivity of expensive machinery, and streamlining management, will be more important than closing plants and shedding manual labour. Faster, more sophisticated product development will become as important as improving quality and cutting costs, they say.

Sir Robert does not disagree. "Nothing is forever," he says. Yet there is so much unfinished business it would be wrong to relax what discipline has been instilled in the past 10 years, to cover discreetly the indelible mark of Thatcherism.

So in his remaining 18 months as chairman Sir Robert will mix the old with the new, maintaining British Steel's drive to lower its UK cost base while overseeing a judicious programme of overseas expansion.

Mindful of the need for an orderly succession – and perhaps his own experience of being passed over for the chairmanship three times before getting the job in 1986 – Sir Robert is grooming Mr Martin Llowarch, the company's chief executive, to take over.

In spite of the allure of a diet of weekend shooting, opera, French history and Etruscan art, Sir Robert has no intention of retiring to rest. He has recently become interested in the future of the National Health Service, advising Mr Kenneth Clarke, the Health Secretary.

"There is something in me which invites a challenge," he says.

APPOINTMENTS

Northern Rock top posts

Mr Leo Finn *(left)* has been promoted from director and secretary to deputy managing director of NORTHERN ROCK BUILDING SOCIETY. He is also deputy chairman of both Northern Rock Housing Trust and Rock Asset Management. Mr Kevin Southwood *(right)*, general manager, has been promoted to executive director and general manager. He is chairman of Northern Rock Property Services, and deputy chairman of Northern Rock Financial Services.

■ **Mr Andrew MacLellan** has been appointed managing director of the corporate venturing centre at BASE INTERNATIONAL, corporate technology advisory group based in Milton Keynes. He was formerly general manager of the graphics division of Domino Printing Sciences.

■ CHANCERY has appointed **Mr David Griffiths** as an associate director in the banking division which he joined in April from Swiss Volksbank.

■ **Mr Jonathan L. Jerman** has been appointed a director of BROWN SHIPLEY INSURANCE BROKERS.

■ **Mr John Roberts** has been appointed joint managing director of CALA PROPERTIES.

■ **Mr Jeremy Plummer**, corporate development executive, has been promoted to an assistant director of LONDON & EDINBURGH TRUST.

■ BANK OF IRELAND CORPORATE FINANCE, London, has appointed **Mr Jon Sachs** as chief executive. He was corporate finance department director with James Capel & Co.

■ **Mr Chris Toothill** has joined the board of managemnent of JUNGHEINRICH (GB), UK subsidiary of the European supplier of industrial trucks and advanced handling systems. As general manager, he assumes responsibility for the company's automated systems division.

■ SYSTECH CORPORATION has appointed **Mr Philip Hadwell** as director of European sales.

■ **Mr Andrew Colquhoun** has been appointed secretary and chief executive of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES from July 2 when he takes over from **Mr John Warne** who is retiring. Mr Colquhoun is the Institute's director of education and training.

International restructure at Mowlem

■ JOHN MOWLEM & CO has restructured its international division with the formation of Mowlem International Construction. **Mr Doug Ridley** becomes managing director, and **Mr Don Poppy** non-executive chairman. Also joining the board are **Mr Phil Mortimer**, managing director, Barclay Mowlem, Australia; **Mr Jim Higgins**, president, Charter Builders Inc, US; **Mr Wynn Kenrick**, managing director, Mowlem International; and **Sir Philip Beck**, chairman, and **Mr John Marshall**, joint managing director, John Mowlem & Co.

DIARY DATES

Trade fairs and exhibitions: UK

June 12-14
International Fire Protection Exhibition – FIREX (01-207 5599)
NEC, Birmingham

June 14-23
Grosvenor House Antiques Fair (0799 26699)
London

June 19-21
PC User Show (071-404 4844)
Olympia

June 21-24
Royal Highland Show (031-333 2444)
Ingliston Showground, Edinburgh

June 23-24
Classic Car Show (044282 3388)
Brighton

June 26-28
Midland Secretary Show (081-868 4466)
NEC, Birmingham

June 28-30
Careers and Higher Education Fair - DIRECTIONS (081-940 5668)
Olympia

Overseas exhibitions

Current
International Petroleum and Petrochemical Equipment Exhibition - PETRO/EXPO (081-9773474) (until June 13)
Mexico City

June 12-14
CAD/CAM & Robotics Exhibition (081-940 3777)
Toronto

June 14-18
International Environmental Protection and Control Equipment and Technology Exhibition (0494 729406)
Manila

June 25-29
International Biotechnology Trade Fair – AMSTERDAM BIOTECHNOLOGY (071-495 7977)
Amsterdam

June 26-30
International Industrial Development Technology, Machinery and Equipment Exhibition - ITM (071-486 1951)
Kuala Lumpur

Business and management conferences

June 12
IBC: Dematerialisation - the implications for the securities industry (June 11); The future for the UK securities industry (June 12) (071-637 4383)
Cafe Royal, London

June 12-13
Financial Times Conferences: The publishing industry in the 90s (071-925 2323)
Hotel Inter-Continental, London

June 14-15
Blenheim Online: Technobank/Technofinance symposium on major technical and managerial issues facing European financial institutions (081-868 4466)
Zurich

June 15
CBI Conferences: Evaluation – The key to investing effectively in training (081-868 4466)
Centre Point, London

June 15
The Economist: Technology: Making your IT investment work for you (071-976 6565)
Marriott Hotel, London

June 18-19
American Tax Institute: Inter-company (transfer) pricing – US/European tax strategies and planning: public/private sector panel (071-935 7502)
Hilton International Hotel, Paris

June 20
Mintel: Tomorrow's retailing: juggling for success (071-606 4533)
The Barbican, London

June 21
The Royal Institute of International Affairs: The Pacific rim – future opportunities and challenges (071-930 2233)
Chatham House

June 21-22
Beverley Training Services: Winning the trade battle in Greater Europe (0482 868362)
Willerby, near Hull

June 25-26
Financial Times Conferences: World gold conference (071-925 2323)
Venice

June 25-26
The Economist: Insurance: *How an industry goes global* (071-976 6565)
Royal Garden Hotel, London

June 26-27
American Metal Market/Paine Webber's World Steel Dynamics: Steel survival strategies V – Harnessing steel's technological revolution (US 212 741 4156)
Plaza Hotel, New York

June 28
The Conference Company: The road to the German information technolgy market – How UK based companies can kick off their marketing campaigns in Germany (071-486 4533)
Le Meriden, London

July 2-3
Financial Times Conferences: North Sea Oil and Gas (071-925 2323)
Hotel Inter-Continental, London

July 2-3
Legal Studies and Services: Trading in technology with Eastern Europe (071-236 4080)
Portman Hotel, London

July 3-4
Quorum Triaining: Finance, Taxation and Law for Accountants and Company Secretaries (071-388 2044)
Marlborough Hotel, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL

TODAY
COMPANY MEETINGS-
Abbott Mead Vickers, The Inn on the Park Hotel, Hamilton Place, W., 11.00
Beattie (James), 71-78, Victoria Street, Wolverhampton, 2.30
Davis (Godfrey), Glaziers Hall, 9, Montague Close, London Bridge, SE., 11.00
Expedier Leisure, Cafe Royal, 68, Regent Street, W., 11.00
Hopkinsons, The Pennine Hilton National, Junction 24, M62 Motorway, Huddersfield, West Yorkshire, 2.00
Plasmec, Weydon Lane, Farnham, Surrey, 12.00
Tellos, Palmers' Hall, 9, Little Trinity Hotel, EC., 12.30
BOARD MEETINGS-
Finals:
Acal
Albrighton (formerly GF Lovell)
Alexon
Amersham Intl.
Borthwicks
British Steel
Donelon Tyson
EMAP
Elys
F & C Smaller Co's
Ferguson Industrial
Hardy Oil & Gas
Lyons Irish
New London
Normans
Osborne & Little
Tinsley Robor
Waverley Mining Finance
Interims:
Control Techniques
Midland Radio
DIVIDEND & INTEREST PAYMENTS-
Atlas Converting Equipment 5p
Bentalls 3.25p
Billam (J) 2.4p
CMB Packaging FFr3.6
Do. New FFr2.7
Chevron Corporation 70cts
Clydesdale Investment Trust 1p
Dead Sea Works 49p
Exxon Corporation 80cts
Honeywell Inc. 68.75cts
House Of Lerose 7.3p
Laird 5.8p
Leumi Intl. Invs. NV Gtd. Fltg. Nts. 1989 $42.68
Lloyds Bank Primary Cap. Undated Fltg. Rate Nts. $429.72
Lucas Industries 8.4p
Martin Currie Pacific Trust 0.4p
Memec (Memory & Electronic Components) 4.5p
Midland Intl. Fin. Serv. BV Gtd. Fltg. Rate Nts. 1992 $214.86
Mobil Corporation 72.5cts
Quarto Inc. 3.375p
Do. (Rest Transfer) OUT 3.375p
Rolls-Royce 4.7p
Sherwood Computer Services 3.75p
Spirax-Sarco Engineering 8p
Svenska Cellulosa AB Sca Non-Restricted B Shares SEK2.9
Tellos Holdings 6.4p
Time Warner Inc. 25cts
Treasury 3% Stock 1992 1.5pc
Ward Group 4.8p
Whittington 1p

TOMORROW
COMPANY MEETINGS-
Aberdeen Petroleum, Great Eastern Hotel, Liverpool Street, EC., 10.30
British Fittings, Stone Manor Hotel, Kidderminster, Worcestershire, 12.00
Brixton Estate, 22-24, Ely Place, EC., 12.00
Haden MacLellan, The Royal Aeronautical Society, 4, Hamilton Place, W., 3.00
Martin (Albert), Swallow Hotel, South Normanton, Derbyshire, 12.15
Mecca Leisure, Le Palais, 242, Shepherds' Bush Road, Hammersmith, W., 12.00
S & U Stores, The Plough & Harrow, Hagley Road, Birmingham, 11.30
Silentnight, Silentnight Exhibition Centre, Salterforth, Colne, Lancashire, 12.00
Tarmac, Hyde Park Hotel, *Knightsbridge*, SW., 12.00
BOARD MEETINGS-
Finals:
BSS
Bimec Inds.
Cape
Clayhithe
Drummond
Harrison Inds.
Heath (C. E.)
Faupel Trading
Marston Thompson & Evershed
Meyer Intl.
PCT
Racal Electronics
Racal Telecom
Safeland
Vosper Thornicroft
Interims:
Carrs Milling Inds.
Cohen (A.)
Davenport Vernon
Devenish (J. A.)
Moorfield Estates
DIVIDEND & INTEREST PAYMENTS-
Abbott Mead Vickers 4.8p
Allied Irish Banks Fltg. Rate Nts. 1995 $426.68
British Fittings 5.775p
Coles Myer 21cts
Davis (Godfrey) 5.25p
Eaton Finance NV 12½% Uns. Ln. Stock 2014 6.25pc
Exchequer 12% Stock 2013/17 6pc
First Interstate Overseas NV Gtd. Fltg. Rate Subord Nts. 1995 $217.22
Govett American Endeavour Fund 10.17cts
Govett Strategic Investment Trust 2.5p
Keystone Inv. 4p
Lloyds Chemists 0.75p
Monsanto 48.5cts
Royal Bank of Canada Fltg. Rate Deb. Nts. 2085 $220.42
Tenneco Inc. 76cts
Trafford Park Estates 0.85p
United Plantations Africa 3.75cts

WEDNESDAY JUNE 13
COMPANY MEETINGS-
Blockleys, Sommerfield Road, Trench Lock, Telford, Shropshire, 12.00
CI Group, Showell Road, Wolverhampton, 11.00
Dencora, The Waveney Hotel, Puddingmoor, Beccles, Suffolk, 12.00
Durham (DG), 10, St. Mary at Hill, EC., 12.00
Ladbroke, London Hilton, Park Lane, W., 11.00
MBS, Burnham Beeches Hotel, Grove Road, Burnham, Berkshire, 11.00
Usher-Walker, Connaught Rooms, Great Queen Street, WC., 12.00
BOARD MEETINGS-
Finals:
Cable & Wireless
European Colour
Learmonth & Burchett
M & G Second Dual Tst.
Mansfield Brewery
Regalian Props.
Salvesen (Christian)
Shaw (Arthur)
Waddington (John)
Interims:
Craton Lodge & Knight
London Scottish Bank
Lookers
DIVIDEND & INTEREST PAYMENTS-
Avonmore Foods A 1.25p
Bankers Trust New York Fltg. Rate Sub. Nts. 2000 $217.22
Blockleys 2.86p
British Empire Sec. & General Trust 0.25p
Cambridge Group 0.27p
Midland Bank Und. Fltg. Rate Prim. Cap. Nts. (Series 3) $422.14
Royal Bank of Scotland Und. FR Prim. Cap. (Min 5%) Nts. $425.68
United Friendly Insurance B (Rest. Voting) 28.75p
Wells Fargo Fltg. Rate Subord. Nts. 1994 $217.22

THURSDAY JUNE 14
COMPANY MEETINGS-
Berry, Birch & Noble, 32, Portland Place, W., 11.00
Boustead, Westbury Hotel, New Bond Street, W., 12.00
Computer People, Mountbatten Hotel, Monmouth Street, WC., 4.00
Downiebrae, Merchants House, 7, West George Street, Glasgow, 11.00
Epicure Industries, The English Speaking Union, 37, Charles Street, W., 12.00
Hay (Norman), Berkeley Arms Hotel, Bath Road, Cranford, Middlesex, 11.30
Hewden-Stuart, Senate Room, Gilbert Scott Building, Glasgow University, Glasgow, 11.30
Jackson Group, The Seckford Hall Hotel, Woodbridge, Suffolk, 12.00
King & Shaxson, 52, Cornhill, EC., 12.15
Vivat Hldgs, Denmark House, The Broadway, NW., 10.00
BOARD MEETINGS-
Finals:
Cater Allen
Cropper (James)
Darby
FKI
Finlay (James)
Johnson Matthey
London Intl.
Northumbrian Fine Foods
Rothschild (J.)
Scapa
Smith New Court
Staveley Inds.
Interims:
Flexello Castor & Wheels
Lovell (Y. J.)
VPI
Watson & Philip
DIVIDEND & INTEREST PAYMENTS-
Agricultural Mortgage Corp 10¼% Deb. Stock 92/95 5.125pc
Banque National de Paris Sub. Fltg. Rate Ser. Nts. 1994 £378.65
Bletchley Motor 3.75p
Citicorp Overseas Finance Corporation Gtd. Fltg. Rate Nts. 1994 $22.36
Conversion 9½% Stock 2002 4.75pc
Ladbroke 5⅛% Subord. Cv. Bds. 2004 2.5625pc
Leeds Permanent Building Society Fltg. Rate Nts. 1998 £389.11
Malaysia Mining Corporation Berhad 3Sen
Midsummer Leisure 1.8p
Nedlibra Finance BV Gtd. Fltg. Rate Nts. 1993 $2236.11
Southeast Banking Corporation Fltg. Rate Subord. Nts. 1998 $426.68
United Newspapers 13.5p

FRIDAY JUNE 15
COMPANY MEETINGS-
Capita, Hill Samuel, 100, Wood Street, EC., *11.00*
Dewhirst Group, Merchant Taylors Hall, Aldwark, York, 12.00
Evered, The Savoy Hotel, (River Entrance), Savoy Place, W., 10.30
Taylor Woodrow, Grand Hall, International House, World Trade Centre, 1, St. Katherines Way, E., 11.15
BOARD MEETINGS-
Finals:
BAA
Bulgin (A. F.)
Eldridge Pope
Hanover Druce
Somic
Interims:
Strata Inv.
Treatt
DIVIDEND & INTEREST PAYMENTS-
Amer Free A FM2
Ashley Group 0.625p
Astec (BSR) 5½% Uns. Ln. Stock 88/90 2.75pc
BLP 0.5p
Bank of Wales 1.8p
Boosey & Hawkes 9p
Bracken Mines 30cts
Caisse Nationale Des Autoroutes 16% Gtd. Ln. Stock 2006 8pc
CalFed Inc. 35cts
Capital 12¼% Stock 1995 (Irish) 6.125pc
Do. 9¾% Stock 1998 (Irish) 4.875pc
Do. 12½% Stock 2005 (Irish) 6.25pc
Celestion Industries 1p
Computer People 4.1p
Cummins Engine Inc. 55cts
Development 12¼% Stock 2000/03 (Irish) 6.125pc
Durham (DG) 1p
East Rand Gold & Uranium 12.38258p
Do. 8 Ord. 11.91849p
Eksportfinans AS 18% Nts. 1990 9pc
FPL Inc. 59cts
Fairey 5p
Free State Cons. Gold Mines 145cts
Do. 8 Ord. 32.84442p
Guardian Royal Exchange Assurance 7% Uns. Ln. Stk. 86/91 3.5pc
Guildehouse Cnv. Cum. Red. Prf. 2008 1.816p
Do. 8.5p (Net) Cnv. Cum. Red. Prf. 2008 4.25p
Highlands & Lowlands Berhad 12.5Sen
Investors Capital Trust 6⅛% Cum. Prf. Stk. 1.8375p
Keppel Corporation S$0.07
King & Shaxson 7.75p
Do. Cum. Ptg. Pfd. Ord. 3.15p
Do. 5% Cum. 2nd Prf. 1.75p
Kinross Mines 180cts
Kwik-FR 1.36p
Leslie Gold Mines 40cts
Louisiana Land & Exploration 25cts
M & G Midland & General Trust Fund 17p
National 7% Ln. 87/92 (Reg only) (Irish) 3.5pc
Nestor-BNA 2p
Oesterreichische Kontrollbank AG 12% Gtd. Nts. 1992 6pc
Orange Free State Invs. 85.10063p
Pacer Systems 3cts
Power Corporation 3.8p
Royal Trust Yen Bond Fund Ptg. Red. Prf. Y1.5
Sakura Finance & Inv. Corpn. 5½% Cum. Prf. 5.5cts
St. Lawrence & Ottawa Railway 4% Stlg. 1st Mtg. Bonds 2pc
State Electricity Comm. of Victoria 15¼% Gtd. Nts. 1994 7.625pc
Svensk Exportkredit AB 12% Nts. 1994 6pc
TRW Inc. 43cts
Tharsis 9.5p
Thomson Corporation 11.3cts
Tollgate Holdings 6.5cts
Treasury 8¼% Ln. 87/90 4.125pc
Trinova Corporation 17cts
Tyndall Holdings 3p
Unisel Gold Mines 50cts
United Biscuits 8% Deb. Stk. 93/98 4pc
Wagon Industrial 7.25p (Net) Cnv. Ptg. Prf. 3.625p
Werner-Lambert 38cts
Weir 5.5p
Welkom Gold Hldgs 22.06312p
Whirlpool Corporation 27.5cts
Winkelhaak Mines 165cts

SUNDAY JUNE 17
DIVIDEND & INTEREST PAYMENTS-
Senior Engineering 9⅜% Uns. Ln. Stk. 94/99 4.6875pc

PARLIAMENTARY

Today

Commons: Debate on European Community.

Property Services Agency *and Crown Suppliers Bill, con*sideration of Lords amendments.

Lords: Social Security Bill, *report*. Horses (Protective Headgear for Young Riders) Bill, second reading.

Tomorrow

Commons: Law Reform (Miscellaneous Provisions) (Scotland) Bill), second reading.

Motion on EC document dealing with Community railway policy.

Lords: National Health Service and Community Care Bill, report.

Government Trading Bill, committee.

Committee on a private bill: Hythe, Kent, Marina Bill. (Room 5, 10.30 a.m.)

Wednesday

Commons: British Nationality (Hong Kong) Bill, remaining stages.

Lords: Debate on Department of Trade and Industry's role in promoting industrial recovery.

Term and Quarter days (Scotland) Bill, second reading.

Agricultural Holdings (Amendment) Bill, committee.

Question to Government on the Humberside county boundary.

Select committees: Environment: subject, indoor pollution. Witness: National Radiological Protection Board. (Room 21, 10.30 a.m.)

Foreign Affairs: subject, UK policy towards South Africa. Witness: Mr Douglas Hurd, Foreign Secretary. (Room 15, 10.30 a.m.)

Agriculture: subject, BSE in livestock. Witnesses: Professor *Richard Lacey, Dr Helen* Grant, Professor Ivor Mills, and Dr Gareth Roberts. (Grand Committee Room, Westminster Hall, 3.30 p.m.)

Trade and Industry: subject, trade with EFTA. Witness: Dr Gerhard Kernthaler, Austrian trade commissioner. (Room 6, 10.30 a.m.)

Defence: subject, radiation protection for personnel. Witnesses: MoD officials. (Room 26, *10.50 a.m.*)

Treasury and Civil Service: subject, progress on the Next Steps initiative. Witness: Mr Peter Kemp, Next Steps project *manager. (Room 8, 3.30 p.m.)*

Education Science and Arts: subject, public expenditure relating to Department of Edu*cation and Science. Witnesses:* DES officials. (Room 6, 4.15 p.m.)

Employment: subject, *recruitment practices. Witness:* The Economic League. (Room 15, 4.15 p.m.)

Foreign Affairs: subject, UK policy on South Africa. Witnesses: Mr Joe Rogaly, Financial Times, and Mr R W Johnson, Magdalen College, Oxford University. (Room 20, 4.15 p.m.)

Social Services: subject, public spending on health. Witnesses: Health Department officials. (Room 21, 4.15 p.m.)

Public Accounts: subject, privatisation of work in new towns. Witness: Sir Terence Heiser, DoE. (Room 16, 5 p.m.)

Transport: subject, urban public transport: the light rail option. Witnesses: Chartered Institute of Transport, Institution of Civil Engineers. (Room 17, 5 p.m.)

Committee on a private bill: Hythe, Kent, Marina Bill. (Room 5, 10.30 a.m.)

Thursday

Commons: Estimates Day.

Debate on training followed by debate on low income statistics.

Motion on the International Fund for Agricultural Development.

Lords: National Health Service and Community Care Bill, report.

Road Traffic (Temporary Restrictions) Bill, second reading.

Select committee: Agriculture: subject, BSE in livestock. Witnesses: Professor Sir Richard Southwood and Mr J. Wilesmith and Dr R. Bradley of the *Central Veterinary Laboratory* Service. (Grand Committee Room, Westminster Hall, 11.15 a.m.)

Committee on a private bill: Hythe, Kent, Marina Bill. (Room 5, 10.30 a.m.)

Friday

Commons: Private members' motions.

Lords: Employment Bill, second reading.

*Motion for approval on Edu*cation (School Teachers' Pay and Conditions) Order.

CONTRACTS

Arcadian Centre

BALFOUR BEATTY has been awarded £56m worth of contracts.

Balfour Beatty Building has secured a £12.5m contract from Avatar to construct The Arcadian Centre on Pershore Street in Birmingham. Scheduled for completion in September 1991, the contract consists of the construction of six separate buildings for retail, office and leisure use built around a central pedestrian precinct.

Skanska A B has awarded Balfour Beatty Building an £11.5m contract to construct an eight-storey steel-framed office development over the Monument underground station at 52-55 King William Street, London EC3. The fully air conditioned office development is scheduled for completion in April 1991.

G E Plastics, a subsidiary of General Electric of America, has awarded a £5.8m for a technical and sales support centre at Sale in Cheshire. On completion in April 1991 after a construction period of 12 months, the 5,435 sq metre two-storey high-technology building will be the company's headquarters.

The London Docklands Development Corporation has awarded a contract worth in excess of £12m to Balfour Kilpatrick for major electrical and mechanical works in the Limehouse *Link tunnel in the Isle of* Dogs.

£27m Glasgow Hilton hotel scheme

TAYLOR WOODROW CONSTRUCTION (SCOTLAND) has been awarded a contract worth in excess of £27m to construct the first-class Hilton International *hotel in Glasgow*.

Work on site began in May and is due for completion in mid 1992.

The 20-storey hotel will consist of 319 bedrooms on 16 floors with reception, function rooms and offices on four floors. Plant rooms are to be installed at basement and roof level with a two-storey car park *built* underground.

The hotel will have a ballroom for up to 1,000 people, a specialist conference centre, 11 boardrooms, three speciality restaurants plus extensive health club facilities; including an indoor swimming pool and gym.

Lower floors are to be constructed of structural steel with *Holorib decking and in* situ concrete topping. Above the fourth level the hotel tower will be built of reinforced concrete. External cladding is in granite.

City of London offices development

McLAUGHLIN & HARVEY has £45m in construction projects.

The largest, valued at £12.8m, is for London Merchant Securities at 88 Rosebery Avenue, London EC1. It is an office development of five storeys with a basement for plant rooms and car parking.

A £7.3m project for Great Portland Estates is for an office building at 119/126 New Cavendish Street, London W1, and comprises five storeys with a basement.

Work is in progress on three office developments. The first is for MEPC at 166-170 Bishopsgate, London EC2, valued at £5.2m. The second, valued at £4.8m, is at 5 Bath Road, Slough, Bucks., for Guardian Royal Exchange. It comprises a four-storey office block with basement car park. The third project, worth £3.4m, is for Scottish Provident at Old London Road, Hertford. This is a four-storey office block with a separate two-storey car park.

Fitting out contracts awarded total £5m and include the British Rail station at Stansted Airport for BAA, worth £1.8m, which is located under the new terminal building; Refurbishment and redecoration of three floors at Ilford Hill, Ilford for British Telecom (£850,000), and the fitting out of 108 Cannon Street, London EC4 for Rabobank Nederland (£1.7m). In Bolton, Lancashire, refurbishment of the C & A Store is underway for £750,000.

A £6.8m design and construct contract has started for Ewart at Ballymena, County Antrim. Work involves a shopping centre and an office block.

New church building in Milton Keynes

The £15m contract to build the Milton Keynes City Church and adjacent office development has been awarded to **MARRIOTT**, part of Beazer Regional Construction.

Work will commence in June at a prime site in the centre of the city and clients are Cornerstone Trust and Beazer Developments.

The church is the focal point of Church Square, with its overall shape generated by an octagonal worship area, the lead dome becoming a prominent feature of Milton Keynes skyline by next year.

The worship area accommodates a congregation of 575 people and is surrounded by a circular cloister overlooking the landscaped courtyards. The drum wall of the worship area rises up through balcony and gallery levels to the colonnaded peristyle which supports the octagonal dome. This in turn supports a glazed and colonnaded lantern with an orb and cross on top. The overall height of the church is around 36 metres and will be amongst the highest buildings in the city.

The adjoining office development will be two mirror image L-shaped buildings, each of around 40,000 sq ft.

LEGAL COLUMN

Case for a presence in Brussels

Robert Rice takes a sceptical view of the benefits of the Law Society's office at the hub of the EC

THERE seems to be no end to the number of law firms which have opened or are about to *open* offices in Brussels. The headquarters of the European Community's institutions is sprouting law offices at the rate of about one a month. Last week the Law Society's governing council voted to establish a society office there by the end of the year.

The question is: why now? It is four years since the Single European Act was passed. The 1992 programme is two thirds complete. Vital issues such as mutual recognition of professional qualifications on which the society might have been expected to – and, indeed, did – have strong views, have long been settled.

The society's strategy committee puts forward four reasons for opening an office in Brussels. It admits that none is compelling on its own, but says that together they make a "powerful and persuasive case."

The first and most important *is the growing influence of EC* legislation on UK law making and on matters directly affecting the profession. At present the society relies on *ad hoc* contact with Commission officials. It argues, however, that without a formal presence the necessary information is often in unselected and unsifted form. It adds that there is no close day-to-day familiarity on the part of society representatives with the thinking of the Commission at formative stages of policy making, and there is no means of influencing *that* thinking.

In addition, it says that the Commission is largely ignorant about the scope and organisation of the UK legal profession.

"It is important now and will be more important in the future that the Law Society has a formal presence in Brussels so that we can pick up information and lobby effectively on behalf of the profession and keep the Commission informed of our needs," it says.

The matters on which work needs to be done relate not only to *professional* issues, but also to other actions taken by the Commission which may affect English firms, it says. A good example is the alleged threat to the future of the British document exchange system as a result of a proposal restricting the activities of cou*riers around the EC*.

"A Law Society representative in Brussels could easily and quickly deal with the issues arising out of any such proposal, which would threaten the working practices of large and small firms."

The society, of course, is well known for its speedy and effective lobbying and its ability to influence official thinking on such matters as conveyancing. It all makes such perfect sense, particularly at a time when, as the society notes: "There are also some indications that official circles in Brussels are becoming sated with lobbyists."

The second reason for opening in Brussels is that although more of the leading firms are opening offices there, there are still not many firms represented. Smaller firms might be grateful to have facilities available to them in Brussels. There is no research to show likely usage, but the society says anecdotal evidence suggests that it would be used.

It would have been just as easy to have taken a more negative view

The third reason is that the society has been telling the profession to take 1992 and the opportunities it offers seriously. The feeling is that the society ought to do something visible which underlines its own belief in those opportunities. Besides, other professional bodies such as the British Medical Association and the Royal Institute of British Architects are thinking along the same lines.

The last reason is that firms which already have offices in Brussels benefit from coordination, liaison and representation from the society. The society could tackle issues such as dealings with the Commission in relation to practice rights and with the British diplomatic community.

"Of course, there is only a small number of firms repre*sented in Brussels at present*, and they are of the richest – so spending a large amount of Law Society resources on them is not easily justifiable, but this work could be carried out in conjunction with the other activities," it says.

The society can think of only two reasons *against* establishing a Brussels base. The first is that by taking unilateral action the society might be seen to be running counter to the general movement towards the integration and harmonisation of the legal professions in Europe. On the other hand the Paris Bar unilaterally set up an office in Brussels some years ago, it notes, although "after a launch with some publicity, it does not seem to have had a very high profile."

The other reason against a Brussels office is the cost. The society estimates that running a three-room office of about 180 to 200 square metres with an executive and a PA/secretary would cost about £150,000 a year or £3 on the practising certificate – twice as much as its regional offices in Preston and Cambridge.

It did come up with some other options: beef-up the Brussels monitoring and lobbying from the UK; hire professional lobbyists; set up an office with other professional organisations.

"It might be thought that a Brussels office is a luxury which would be of use to a few firms in the City of London alone, and therefore the expense should be borne by a special levy on them," the society says.

Indeed it might. But then why should City firms foot the bill for something which, judging by the interest they show in the society over here, most of them do not want and would not use anyway?

The society seems to have painted a very positive picture of setting up in Brussels. The vote in favour was hardly a surprise.

But it would be have been *just as easy to have taken a* more negative view.

Large City law firms with offices in Brussels set them up mainly because clients attached importance to the firms having a presence there even though they could provide clients with the service they required in relation to the EC from London. They have established their own relations with Commission officials and have *a wide knowledge and* expertise in EC law. They do not want to be liaised, co-ordinated or represented by the society. They are unlikely to make use of a Law Society office in Brussels.

Those City firms which do not have offices in Brussels still believe they can provide a more than adequate service for their clients from London and their clients have not yet told them that they would prefer it if they had an office in Brussels. They too have established relations with Commission officials and visit Brussels when necessary. They are unlikely to make use of a Law Society office in Brussels.

Large and medium-sized provincial firms have tended to join networks, information clubs, or form European Economic Interest Groupings (EEIGs) or other close associations with overseas firms for the cross-referral of EC work. If they needed to go to Brussels they might make use of a Law Society meeting room. Other than that, they are unlikely to make much use of a Law Society office in Brussels.

Smaller firms specialising in EC law are few in number and, to the extent that they exist, are likely to fall into the category above. Smaller firms with no expertise in EC law might make use of a Law Society *office in Brussels*.

But it can be argued that they would be wiser to – and in fact are more likely to – refer the work *on an agency* basis to a firm with expertise in EC law.

The Commission is not susceptible to lobbying in the traditional sense that it is open to special pleading. Lawyers make contributions to the shaping of EC laws but a great deal of the 1992 programme has passed its formative stages. The number of issues on which the Law Society could have an influence is likely to be few. They could be handled as easily from London.

The costs of setting up and running an office in Brussels are high

The fact that information from the Commission is often in an unsifted and unselected form is a consequence of the nature of the Brussels bureaucratic machine.

Being physically closer to the source of that information is unlikely to change the way in which it becomes available.

The costs of setting up and running an office in Brussels are high, arguably too high for the doubtful benefits the profession would gain from the Law Society having an office there.

The money might well have been better spent elsewhere.

A constitutional conundrum

Corporate policy on drug abuse faces testing times

Andrew Jack confronts the issue of US employees' personal privacy

When former President Ronald Reagan volunteered himself and his White House staff for urine analysis in 1987, he was riding something of a national trend. With drug abuse endemic in American society, and drug-related incidents costing business billions of dollars a year, companies are beginning to respond firmly. But some argue their efforts are misplaced.

"We are serious about a drug-free workplace," General Motors' chairman Roger Smith has said. "[We are sending] an unmistakable message that certain activities are illegal – and that no one has the right to jeopardise his or her job performance . . .or the health, safety and productivity of co-workers."

US employers are facing considerable evidence of drug abuse in the workplace. A National Institute of Drug Abuse survey in 1988 estimated that 24 per cent of employed men aged 18 to 24 used marijuana at least once a month; 65 per cent had used some form of illicit drugs in their lifetime, and 44 per cent in the previous year.

The total costs of drug abuse to American society have been estimated at $60bn annually by the Research Triangle Institute in North Carolina. That includes $33bn lost directly from business in reduced productivity, as well as enormous costs from staff turnover, absenteeism, accidents, health care, theft and treatment programmes.

Georgia Power, for example, identified approximately 300 of its 15,000-strong workforce as drug users from test results or referrals to treatment programmes. The user's average annual take-up of health benefits was $1,377, against $183 for other employees. They were absent 165 hours a year, while drug-free employees were away for only 47 hours.

Proponents of testing cite the experience of the US Army, whose stated policy of not tolerating any drug use has reduced the number of soldiers proving positive from 28 per cent to less than 5 per cent over the past decade. Another study, from Southern Pacific Transportation, indicates that since it introduced post-accident testing in 1984, the number of accidents attributable to human failure has fallen by three-quarters from 8.1 per million train miles travelled.

Public attitudes towards drug abuse have hardened in the light of a number of accidents, with the fatal Amtrak train crash near Baltimore three years ago remaining one of the most dramatic in people's minds. The driver was tested for drugs, found to have been smoking marijuana, and later convicted of manslaughter.

Incidents like this are leading employers in the direction of drug-screening. However, this is not proving to be a straightforward step since there are now numerous cases before the US courts which are putting to the test whether drug screening is constitutional. Two Supreme Court rulings last year permitted random drug-testing in numerous federal job categories, arguing that public safety concerns over-rule the infringement of personal privacy and the denial of due process which it implies.

Private sector firms which have contracts with the federal government are now obliged to comply with the 1988 Drug Free Workplace Act, which calls on businesses to ensure they have drug-free premises, although testing is not mandatory. In addition, a US Department of Transportation directive went into effect in December which made random drug-testing compulsory for some 4m rail, trucking and airline workers.

But many companies under no government obligation to institute drug-testing, are instituting policies of their own accord. A Bureau of Labour Statistics study last year showed that in 1988, 20 per cent of employees in the US private-sector worked in establishments which conduct some form of testing.

While some corporations, including General Motors, launched programmes over a decade ago, most began testing in the 1980s. "There has been a tremendous increase over the past few years," says William Current, staff director of the Institute for a Drug-Free Workplace. "If you call practically any of the Fortune 200 companies, the chances are they will have a programme."

Most testing is still limited to pre-employment screening. According to the Bureau of Labour Statistics, 3.9m job applicants were tested over the year to mid-1988, of whom 12 per cent were positive. Nine per cent of the 953,000 existing employees who were tested showed evidence of drug use.

Texas Instruments began pre-employment screening in 1987. "There was a feeling that many other companies are doing it, and no-one wants to be known as the only company that doesn't," admits Chuck Nielson, the company's US director of personnel. From this year, however, the company has also introduced random testing for all current employees, including senior management.

"I have been tested," says Nielson. "Did I enjoy it? Was I glad to be tested? No. But if it will improve the quality of the workplace, it's a small price to pay." He cites known incidents of drug abuse within the company, federal obligations, and the desire to sustain a high quality work environment as reasons for universal testing, which is costing the company $1m initially, and over $300,000 a year to run the programme.

Helen Axel, senior research fellow with the New York-based Conference Board, who has just completed a survey of drug-testing in large corporations, gives several reasons for the growth in testing. Federal obligations in some industries meant that safety-related jobs, and those firms with government contracts, were among the earliest to launch programmes.

In addition, "the techniques used for testing have improved," she says. "They are easier and cheaper than they were in the 1970s." Drug abuse is also easily visible in the workplace, she argues, and employers may feel compelled to act after an accident where the use of drugs appeared to be a contributory factor.

Axel's study also quotes several reasons why some employers have not instituted testing – including the threat of legal action, resentment from employees and unions, and the incompatibility of testing with corporate philosophy,

One reason employers were reluctant to introduce testing in the past was unreliability. An initial urine analysis can give false positive results. According to Dr John Morgan, director of pharmacology at the City of New York Medical School, "the test is inaccurate 15 to 20 per cent of the time."

President Reagan's own drug test was allegedly delayed for two weeks because his advisers feared the drugs from a recent operation would have caused him to test positive.

For this reason, federal guidelines require a far more accurate test to confirm the initial results using gas chromotography/mass spectrometry. But the additional cost means that some smaller companies may not do a follow-up test for new recruits, argues Jeff Nightbyrd, a Texan entrepreneur who manufactures drug-free powdered urine as a way to evade the tests. "Testing is totally against the

American grain of innocent till proven guilty," he says in justifying his activities.

Stephen Gust at the National Institute on Drug Abuse is keen to point out that an employee who tests positive will not necessarily be fired. Texas Instruments, like General Motors, has an Employee Assistance Programme which provides counselling and treatment for alcohol, drug abuse and a variety of other problems. "There are far more companies with an assistance programme than carry out drug-testing," he says.

A number of critics argue that the evidence in favour of drug-testing is questionable. Since widespread testing only began recently, reliable evaluations are hard to come by. Mark Rothstein, a professor of law at the University of Houston, says that "there is little good scientific evidence," which is approved by academics in the same field. Drug use has been declining during the 1980s in any case, he claims, and it is difficult to determine whether testing has had a deterrent effect.

Lewis Maltby is a former vice-president at Drexelbrook Engineering in Pennsylvania, where he opposed testing, and is now director of a national taskforce on civil liberties in the workforce. "There is no denying there is a drug problem," he says. "But there is a great deal of intellectual dishonesty, and the problem has been deliberately exaggerated."

Inaccuracy aside, a positive result "doesn't really tell you anything useful," he says. "How can you distinguish a weekend social marijuana user from those with an abuse problem?" Maltby argues that drug use does not necessarily lead to an increasing number of accidents or a fall in productivity.

But the drug-testing industry, which is projected to receive $340m in revenues during 1990, has had a powerful impact in the workplace. "If you're a business, you know there is a problem with drugs," explains Maltby. "You know you should be doing something, and a very professional salesman comes along with what seems to be the only solution available to you." That, he argues, is the reason for the growth in testing in the US.

Workplace drug abuse remains a relatively small part of employee problems, argues Jack Dolan, vice-president for marketing and development at Managed Health Network, a New York-based employee assistance programme. "Only about 7 or 8 per cent of our referrals are for drugs," he says. "Alcohol is a far more significant factor."

By-standers losing out from marathons

Andrew Fisher takes a tilt at West German company press conferences

West German corporate press conferences have long been known as marathon affairs; but the best long-distance runners can complete the gruelling 26 miles and 385 yards of the race in well under the time it takes some companies to get through their annual jaw-boning about their financial results.

Deutsche Bank's gathering in March lasted around three hours, while Dresdner Bank, its main rival, managed with around two. In the last few weeks, the main round of annual company press conferences has again had journalists trudging doggedly round the country to hear about industry's progress and prospects. It is an exercise that not only requires a good deal of stamina but also begs the question of why companies generally so noted for efficient governance of their affairs follow a format for these occasions patently unsuited to fruitful discussion.

Lufthansa, the airline, kept going for a good three hours. Continental, the tyre company which in the past has tended to keep its meetings to a manageable size and length, was way over the three-hour mark. So did Daimler-Benz, but then it is Germany's biggest industrial group and there are plenty of short- and long-term issues that journalists are eager to raise, although this was not made easy by the size of the conference (250 people).

The problem is that real discussion, as opposed to wordiness and an often obsessive dwelling on minor detail, often gets short shrift in German press conferences. The reasons concern their size and structure, the type of questions asked, and the way in which these questions are fielded – all of which tends to dampen spontaneity and excitement.

That German press conferences have become a rather inefficient way of imparting information may not make some companies too unhappy. Lufthansa, for instance, even asks journalists to hand in their names and the desired topic after the main speeches if they want to put a question to the board. Such smoothness of organisation puts the emphasis less on the word "press" and more on the word "conference." Answers can be terse, with little chance of a follow-up.

To be fair, the sheer size and importance of many German companies, and the fragmented regional structure of the domestic press, means it is hard to keep the numbers down. As well as inviting journalists from outside Germany – and thus laying themselves open to a battery of questions about local issues in, say, Austria, Italy or France – some companies have also taken to bringing in representatives of the East German media to show them what a western press conference is like.

Yet whatever the organisational problems, companies could certainly do more to open up their press conferences to ensure a more free and stimulating flow of information. They could keep the speeches short, for one thing; these often take up the first hour or so, incorporating much detail that belongs to the year which ended several months previously.

For another, they could try to ensure that a press conference lasts no more than two hours, possibly by being ruthless on peripheral questions and sticking to the basics.

Journalists could play their part, as well. Too many questions centre on often irrelevant balance sheet details.

Also, the fact that questions have to be signalled to the press officer, who then writes them down and calls on the journalist as he goes down the list, can severely inhibit discussion and the willingness to raise new topics.

Apart from the immediate news, if any, one obvious reason for attending company press meetings is to meet directors and chat to them informally. But the larger the company, and the longer its press conference, the less easy this becomes.

Directors are often either waylaid for radio and TV interviews, or simply disappear once the questioning is over, as with Commerzbank this year.

There are no easy answers to many of these problems. But less formality and more flexibility would certainly be a start.

ARTS

A great building put to great use

Colin Amery visits the Courtauld Institute's new home

It may seem perverse to suggest that the visitor to the Courtauld Galleries when it opens this Friday should lift his eyes from the pictures and furniture to contemplate Sir William Chambers's architecture, but it is a major part of the new experience offered by Somerset House. The rooms now on view are all in the Strand block, which was the first part of Chambers' design to be built. Glance up at the lovely nine bay façade on The Strand which scarcely hints at the vast quadrangle within: walk slowly through the triple arched gateway and you are in one of the most elegant and splendidly decorated town entrances in London.

It is agreeable to contemplate that it is here that Sir Joshua Reynolds, Turner, Constable, Lawrence, Hoppner, Landseer and many other artists studied and taught at the Royal Academy Schools: for from 1780 the Royal Academy, the Royal Society and the Society of Antiquaries occupied fine sets of rooms. Today you can now stand in the Great Room that Chambers created for the Royal Academy's annual exhibition and imagine its walls crowded above and below the line with canvases.

There have been two firms of architects involved in the enormous task of the repair and adaptation of Somerset House. Green Lloyd Architects have been responsible for the conversion of premises for the Courtauld Institute of Art. This *is a part of Somerset House* that the public will not see, but it is one of the most ingenious and effective works of its kind. *Any user of the library in the* Piranesian basement cannot fail to be impressed both by the massive dignity of Chambers's *original vaults and the* skill needed to convert them into a working library. The students and staff have the pleasure of the use of a cafeteria situated in what was an original water tank (now empty) and the teaching areas occupy some 72 per cent of the total of the east and west Strand blocks.

It is hard to imagine the difficulties of adapting a great neo-classical monument that had not been changed, but had been neglected, into a working modern academic institution. The elaborate consultation procedures necessary to satisfy English Heritage and the Crown Buildings Advisory Committee are hard to imagine. Green Lloyd have carried out a similar exercise in their upgrading of the headquarters of the Royal Society of Arts but *nothing quite on this* scale. Their additions have been suitable discreet. A new lift was needed and the main stair was *extended to allow access to the* vaults below the courtyard. The provision of 19 study rooms; 4 seminar rooms; a lecture room (funded in memory of the late Lord Clark); four libraries; and complex technology departments within Sir William Chambers' s masterpiece has been achieved with delicacy and simplicity.

The public face of the building has been entrusted to Firmstone and Company, architects well known for exhibition design and work in museums and galleries. Their responsibility was a grave one. To find a way of showing a collection of paintings and objects that includes the Impressionists and Rubens and fine furniture, glass, silver and artefacts. It was not just a question of showing them well, *but of showing* them in a series of Fine Rooms which themselves demanded sensitive treatment. Today any architect *is up against fire*, safety and conservation regulations that make his life almost impossible and threaten in many ways the survival of the real nature of a *listed building*.

Visitors must judge for themselves. On my first visit I felt such pleasure in seeing the *pictures (which William* Packer will review on Saturday) that Chambers was forgotten for a while. Closer and cooler examination does reveal the difficulties. The Galleries occupy some six floors of the Strand block but the public will only see the ground floor where there is an elegant and enjoyable shop and the Prints and Drawings Room, the first floor where there are six galleries, and the second floor where the former Royal Academy Great Room is surrounded by four smaller galleries.

Let it be said at once that there is a sense of quiet comfort and dignity about all the rooms and the displays of pictures with furniture adds to the sense of a grand private collection. There is little visible special lighting, although it *is there*. The decision was taken not to air condition, almost impossible in as fine a listed building as this and there are vital but ugly humidifiers in all the rooms. The one element that makes you feel that you are enjoying great paintings in someone's house *is a simple one: the presence of* windows and a pleasing sensation of changing natural light.

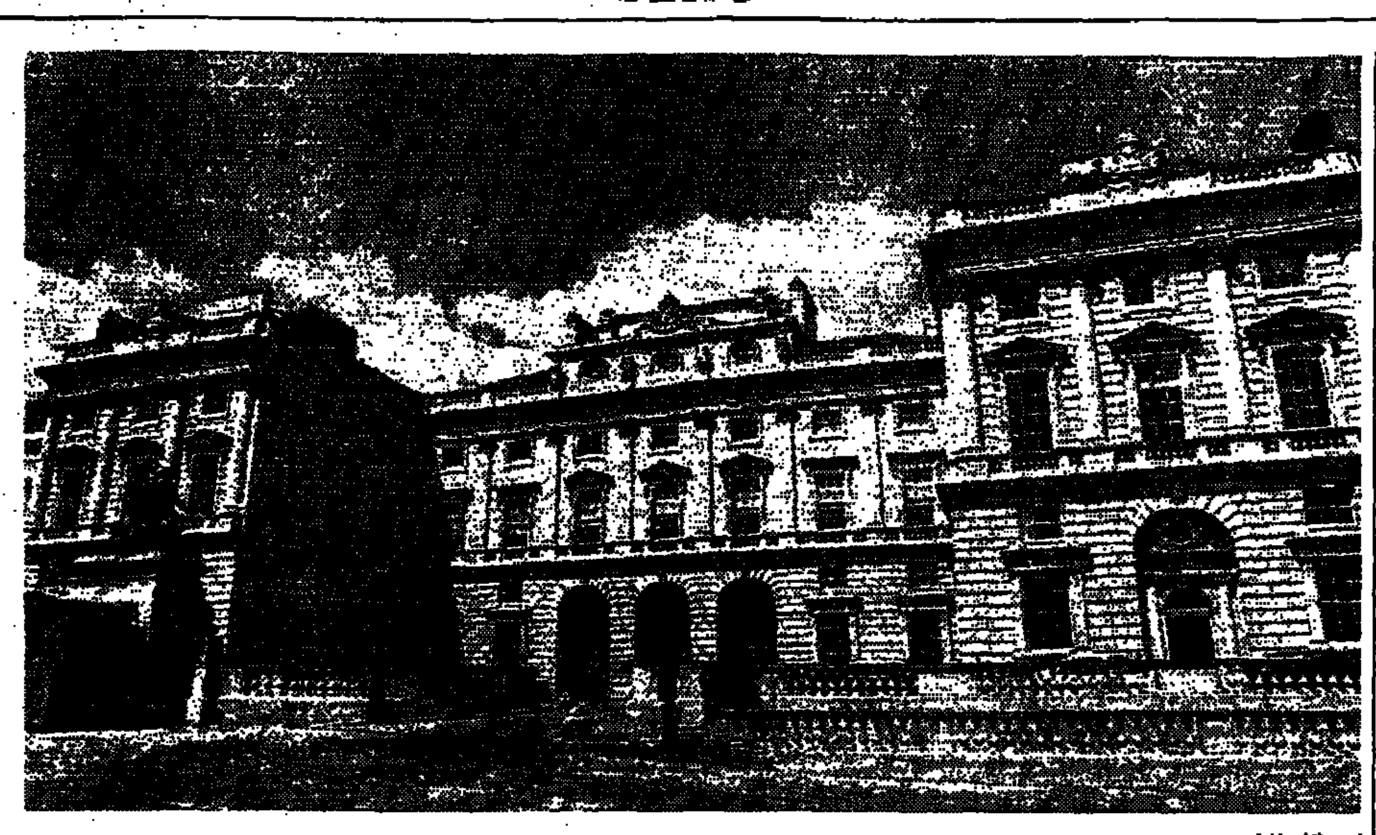
I was surprised by the decision, apparently taken to ensure a hush in the rooms, to have wall-to-wall carpet in almost every room. It may deaden the footfall but it looks awful, and inappropriate, in 18th century rooms. At Woburn Square the old Courtauld Galleries had fine oriental carpets on polished floors; why not here? In Gallery One, for instance, the great carved and painted chests from 15th century Italy look so wrong on fitted carpet.

It is in Gallery Five, formerly the meeting room of the Royal Society, that an attempt has been made to restore the room to its original colours. Mr Ian Bristow applied his strangely pseudo-scientific "scrape and search" methods to establish the original colour scheme. I find this approach incredibly bogus. I have read the full Bristow report on Somerset House (he is also the misguided boffin behind the so-called authentic restoration *of The Queen's House in* Greenwich) and it is deeply unconvincing. He writes that after taking (at considerable expense) 50 paint samples from the Royal Society meeting room, he discovered that beneath the layers the colours that were mentioned in the original building accounts did exist. However, the pink and lilac used on the ceiling had become so degraded that "for restoration they had to be estimated." So the end result, which is perfectly pleasing, is not the result of vast scientific expertise but just a guess at the approximate colour.

On the West staircase vivid blue railings and grey walls are again just guesswork. His report is full of provisos and statements to the effect that the constraints of the building programme made full investigations impossible. Even when "full research" is undertaken it is clear that it is inevitable, especially as modern paints are used, *that only a misleading* impression of the original scheme is possible.

The joy of the pictures is *what counts here and the wonder* of the restoration of part of Somerset House to the arts. But there must be sadness and disappointment at the unimaginative use of the Great Room. Horrible 1960's screens and lights divide the wall space into smaller areas for thematic, didactic displays. Apparently it was a near thing that a mezzanine was not inserted here. This is one of the great rooms of London with remarkable top daylight. It was clearly hard to know how to use it – perhaps one day the screens will go and some large scale picture can be closely hung with some sculpture to suggest the richness of the artistic traditions of the room.

The presence of the Courtauld Collection in its new home is a real cause for celebration. Admission will cost a mere £2.50.



Ashley Ashwood

William Chambers' the triple arched gateway to Somerset House, one of the most elegant in London

Copland at Aldeburgh

The composers-in-residence at Aldeburgh this year are Goehr and Carter, but the festival opened with a celebration of Copland, to mark his 90th birthday.

Twenty years ago Britten and Pears put on a concert of Copland's chamber and vocal pieces to mark his 70th; this time the spread was more lavish, with semi-stagings in the Snape Maltings of his opera *The Tender Land* and the very work that had touched Britten's own creative impulses in the late 1930s – Copland's "play opera for high-school performance" of 1937 *The Second Hurricane*.

What we know of Copland's New Deal populism in the 1930s is largely its masterpieces – *Appalachian Spring*, *Billy the Kid*, *El Salon Mexico*. *The Second Hurricane* is not one of those, but a sometimes lively, sometimes lame attempt to write a piece well within the resources of ambitious students with an easily digested message.

The libretto, no literary achievement, is by Edward Denby; it tells the story of six teenagers who volunteer to fly into a hurricane-stricken area of the Deep South to provide what help they can. They spend all their time complaining of the deprivations and *arguing with each other until* a second hurricane strikes, and the futility of their behaviour is borne in on them: collective responsibility is the only answer, helping each other is the way to a better life for everyone.

The story is unfolded in a mixture of narrative, dialogue and song; in the Aldeburgh performance the spoken elements were truncated, giving an unnaturally foreshortened view of the plot - the final rescue suddenly whisks the opera to its celebratory ending - but preserving all of Copland's music. It is that element that obviously caught Britten's imagination and which found its way into *Paul Bunyan*, begun a couple of years later. Copland's mixture of Broadway-song style, light-opera ensembles and al fresco optimism certainly contains precursors of Britten's own high-school piece, but where Britten had Auden's wit and cutting edge to leaven his tale Denby's text is too leaden, too fulsome, to lift it on to a higher plane.

Lukas Foss, rapidly becoming an Aldeburgh regular, conducted; Michael Grandage provided the linking narrations (reworked by Lynne Schey) with the Almeida Ensemble and local youth choirs; the principals were appropriately youthful too, though needed something with more dramatic substance to show what they were capable of.

The Tender Land moves both Copland's ambition and achievement up many notches from *The Second Hurricane*; its exploration of the strengths and limitations of family life in middle America in the 1930s was written at a time (1954) when both the country's own insularity and social structures were under fierce self-examination.

The story of the adolescent Laurie, chafing against the restrictions of a tightly-knit family, and finding a route to freedom in the arrival of a drifter Martin seems thin enough (Martin eventually leaves without her, but the impulse has been sufficient to set Laurie on her own path to a new life) but Copland presents it tenderly, sometimes almost sentimentally, and with a marvellous sense of understatement.

There are few big numbers in *The Tender Land*: the love duet is hardly a passionate raking-over off the emotions; the final leave-taking is neither protracted nor over-elaborate. The libretto by Erik Johns (inspired by James Agee) is somewhat lame and it's easy to see how the opera could have been such a critical disappointment at its premiere. But a single performance hardly reveals all its layers, and the score only gradually emerges as a finely stitched patchwork of *ambitions and loyalties*, a loving examination of American life that is by no means as one-dimensional as it seems at first sight.

This production by Vern Sutton – no sets or costumes, but a few props and plenty of movement – was based upon the performance by the Plymouth Music Series conducted by Philip Brunelle and recently released here on Virgin Classics (79113-2, two CDs). The protagonists were as on the recording, led by Janis Hardy's brittle, inflexible Ma Moss and Elisabeth Comeaux as the aspiring daughter, with Maria Jette making much of the younger, still child-like daughter Beth, Dan Dressen as the ambivalent, fundamentally well-meaning Martin and LeRoy Lehr as the patriarchal grandfather.

They make a strong, believable cast, conducted by Brunelle with easy, sometimes too easy, sympathy though neither the orchestral playing on the discs or in the Maltings (the City of London Sinfonia here) is quite as accurate as one would like.

Yet in spite of the flaws the enterprise has given the first opportunity to hear on record and in the concert hall in Britain the whole of Copland's score; there are few great American operas, and *The Tender Land* may well be one of the best, and certainly a major work by one of its country's most significant composers.

Andrew Clements

Gasping

THEATRE ROYAL, HAYMARKET

Poor naive Mayor Koch – he only sold New York's sky. In *Gasping*, Ben Elton has gone several stages further – the rising executive Philip (Hugh Laurie) has the smart idea of selling the air we breathe – and so we have a city-slicker play as barbed as, and much funnier than, *Serious Money*, the sharpest futuristic comedy since *Henceforward*, and the best Green comedy since *The Good Life* was young.

Not that *Gasping* is likely to prove a comedy classic: it's too here, too now, for that. In Elton's brave new world, Sir Chiffley Lockheart (Bernard Hill), chief of the Lockheart Industries for which Philip works, announces that he's made a deal with the EEC: "We're going to sell them our oxygen to burn their crops with."

Crocodile Dundee IV is showing ("That's the one where he becomes President of the Soviet Union") and Michael Crawford will soon be playing Young Kenneth in the new musical of the life of Kenneth Branagh.

Nothing, I'm happy to say, is safe from Elton.

The city-slicker jargon is what hits you first. The play isn't just alternative comedy – it's alternative *F.T.* "Serious petty cash," is what his assistant Sandy calls £82m.

Kirsten (Jaye Griffiths), the top advertising agent to whom air salesmanship steers these men, is first heard ditching a lover by 'phone: "If you can't take sleeping with someone in a higher income bracket, I'll bike you round a bimbo." And all that slick alliteration from everyone: "We've got a glitch in our gusset," "It's Barry Brilliant."

The jokes work because they're in character. Everyone catches perfectly the blasé tones of City parlance. And Hugh Laurie makes them hilarious time and again because, as Philip, he's so plainly a frowning open-mouthed prat who has to labour to keep up with all that casual display of superior knowledge.

He takes this to one peak when he's given a going-over by an invisible masseur. Goggle-eyed, while he's pretzeled, kneaded and thwacked by unseen hands, he tries to keep a grasp on his cool. Sublime.

Bernard Hill plays Sir Chiffley, the past-master of industrial conquest, as a crude, nonchalant, portly, cigar-chewing tyrant; and his eyebrows are almost as funny as Laurie's. They show you how he relishes the success of his own vulgarity.

As Sandy, Simon Mattacks sports a spot-on executive ponytail, and brings off a great set-piece with five portable 'phones at once. The cast, by the way, includes the voice of Stephen Fry.

Bernard Hill

The play is a two-acter, and runs just over two hours and a half.

Thanks to Bob Spiers' brisk, sharp direction, barely an episode flags. During Act 1, my laughter range spanned about three octaves: squeak, cackle, shriek, chuckle, guffaw, gurgle, rumble.

But where could the play go from there?

Without losing its comic edge – one couple were in such noisy convulsions that a bloc of us in the stalls missed several lines in succession – it becomes blacker. And more deadly.

Alastair Macaulay

Idomeneo

QUEEN ELIZABETH HALL

"A Mozart Encounter" began on Friday with the composer's first great opera, conducted by John Eliot Gardiner with his English Baroque Soloists and Monteverdi Choir and superb principals. Since one is unlikely to hear a more beautifully realised *Idomeneo*, and since the performance is being repeated tonight and next Tuesday, Mozart-loving readers should at this point fling down their *FT*s seize their telephones and arrange something. *Even those lucky enough to* have heard Simon Rattle conduct the opera in this same hall will find new revelations.

Gardiner's period-instrument players grow ever more assured, and these performances – like those of *La clemenza di Tito* too, beginning on Thursday – have the substantial benefit of being prepared for "live" recording here by DG Archiv. (One virtue is that the audience is cowed into silence from the start.) The opera isn't staged, but there are entrances and exits, a little acting and some movements from one stereo-placement to another, which keeps the chorus nicely involved. *Idomeneo* scarcely needs more, though one should remember that Mozart was composing for a lively spectacle: it is not a sober little chamber-opera.

Yet its musical density is extraordinary, and never so apparent as in Gardiner's scrupulously imaginative account, *appoggiature* and all. Following Mozart's intentions the action is pursued continuously, the accompanied recitatives treated as richly and dramatically as the arias; the drama prospers, and the score glows. Touches of antique instrumental colour enliven it, certainly – thin, bright oboes; throaty horn-punctuation on the off-beat – but the quasi-physical *details of phrasing and articulation* provide constant illumination.

The opera is played in the original Munich version, with the cuts Mozart had to make for the occasion. Thus the soprano Idamante loses "his" last aria, Electra her spitfire departure to Hell, Idomeneo his "Torna la pace" (sorely missed); but the result is wholly gripping for the better part of three hours.

Anthony Rolfe Johnson's Idomeneo, always subtle and deeply felt, has reached a virile maturity which must count as unrivalled now. Anne Sofie von Otter creates her Idamante in the mould of Strauss's Octavian, devout but spirited, and gorgeously sung. Sylvia McNair repeats her marvellous Ilia, a portrayal full of searching details, exquisite in both "Se il padre perdei" and "Zeffiretti lusinghieri", and Cornelius Hauptmann made an imposing non-appearance as the offstage oracular Voice. (These four artists are in *Clemenza* too, and in the Requiem next Sunday.)

As Electra, the young Swedish soprano Hillevi Martinpelto made as striking an impression as her partners – brilliantly *flexible* in "Tutte nel cor", ravishing in "Idol mio". Nigel Robson was a sensitive Arbace (denied his Act 3 aria), and *Glenn Winslade a solid Priest*. Striving to re-collect my critical faculties, I might suggest that the great tragic quartet, "Andrò 'o' ramingo e solo", had an unwanted dramatic pressure (surely it's a moment of suspension), and that the serene "Placido è il mar" chorus was over-refined to the point of archness. Others may disagree; but not, I think, about the rare merits of the whole performance.

David Murray

"Into the Woods"

Stephen Sondheim's Broadway hit *Into the Woods* will open at the Phoenix Theatre in London on September 25. Directed by *Richard Jones, the cast will* include Julia McKenzie.

Young Apollo

Thorndike, Leatherhead

Rupert Brooke as the Fifth Beatle?

That apparently was Mike Read's starting point when he conceived, (and then went on to write the book, music and lyrics) of a play about the young poet whose premature death at the age of 27 secured his immortality. It's a lousy parallel.

Brooke was adored by an upper class elite but any public stardom only came posthumously when his war sonnets were exploited by the Government for patriotic lip stiffening.

But keep Brooke within his own period and he becomes an interesting focal point for a musical, with his brief life *touching all those Edwardian* fads that now charm us – Bloomsbury, the Apostles, Fabianism, Modernism.

This is not that musical, but it is a commendable effort from Mike Read as he tries to shake off a Radio One DJ past.

The opening was pretty dire, part of the "is that Lytton over there? No, its HG talking to Isadora Duncan" school of scene setting.

Frenchmen posture on stage with a "Mon ami" on their lips, simply quivering to be bemused by cricket; the Modern Woman naturally wears glasses and always clutches a book; and poor Strachey is caricatured as camp as a tent pole.

Things improve dramatically when Alexander Hanson, as Brooke, starts to assert himself. At the start he just stands there lapping up scarcely deserved rapture but gradually his character as a spoilt dilletante, obsessed with his own emotions and experiences and quite prepared to exploit women for romance or sex, begins to surface.

It helps that Hanson, who like Brooke went to Rugby, can look as beautifully boyish as the poet.

The trouble is that when Read raids Brooke's own letters and poems for verbatim material the play so obviously moves up several gears.

Brooke's description of how he lost his virginity to a fellow Kingsman grips more than the uncomfortable contortions being acted out in the shadow, or any of Read's dialogue.

The music is, well, unobtrusive, often sounding like those evangelical rock hymns favoured by trendy vicars, but *Read bravely goes for the Big* One for his final curtain and sets "If I should die" to music commendably like an Edwardian anthem.

Brooke's life after Cambridge, the period known as the second act, is something of a pause before the unglamorous death from septacaemia, which forestalled a glamorous death at Gallipoli.

Read squeezes as much as he can from a journey to the South Pacific, even bequeathing the poet a Polynesian love child to tend his grave, but really the thrill has gone.

Director Hugh Wooldridge creates some neat cameos from a generous cast of thirteen on an imaginatively lush set (by Claire Lyth) which evokes a Greek Island, Grantchester, Tahiti and what you will.

The white dresses of the girls conjure up an Edwardian innocence and idealism as they pose like romantic dreams in a painting by Walter Crane.

Brooke probably died at the right time for his reputation – anyone who could call his gang "the dew dabblers" is a bit suspect – but with some professional re-working *Young Apollo* could merit a longer life.

Antony Thorncroft

International Association of Jazz Schools

The first conference of the International Association of Jazz Schools will be hosted by the jazz department of the Royal Conservatory of Music in the Hague, Holland, between June 17 and 23.

Eleven countries will be represented by students and teachers from 12 schools.

The Royal Academy of Music in London is participating, sending its director of Jazz Studies, Graham Collier, and three students.

Further details from the RAM, Marylebone Rd., London, NW1.

ARTS GUIDE

June 8-14

MUSIC

London

Julian Lloyd Webber and London Mozart Players in a concert of baroque music. Barbican Hall. (Mon) (638 8891).
The Philharmonia, conducted by Charles Dutoit, perform Berlioz, Chopin and Bartók. Emmanuel Ax is soloist in Chopin's second piano concerto. Royal *Festival Hall*. (Tues) *(928 8800)*.
Takács Quartet in a programme of Mozart (K421 and K428) and Beethoven (opus 132). Barbican Hall. (Wed) (638 8891).
London Symphony Orchestra, conducted by Jeffrey Tate, perform Mozart, Shostakovich and Dvořák. Barbican Hall. (Thurs) (638 8891).

Paris

Hermann Prey recital (Mon). Salle Gaveau (45632030).
Viktoria Postnikova (piano) with Lyons National Orchestra conducted by E. Krivine. Tchaikovsky (Mon). *Théatre des Champs* Elysées (47203637).
Annie Fischer. Beethoven, Schumann (Mon). Salle Pleyel (45638873).
Ensemble Intercontemporain and **BBC Singers** conducted by Pierre Boulez: Schoenberg, Webern, Stravinsky (Mon). Chatelet(40282828).
Ensemble Orchestral de Paris conducted by Armin Jordan. Pierre Amoyal (violin), Daniel Arrignon (oboe). *Mozart (Tue)*. Chatelet(40282828).
Radio France Philharmonic Orchestra and Choir conducted by Marek Janowski: Brahms' German Requiem (Thur). Théâtre des Champs Elysées (47203637).

Berlin

Berlin Philharmonic conducted by Myung-Whun Chung and Frank Peter Zimmermann (violin) and Wolfram Christ (viola) plays works by Mozart and Prokofiev (Tues, Wed).

Rome

Giuseppe Sinopoli conducting Beethoven's Missa Solemnis. Auditorium in via della Conciliazione (Mon, Tues) (6541044).

Naples

Settimane Musicali Internazionali. Violinist Salvatore Accardo and friends perform every day (except Sat) this week at Museo Pignatelli or Teatro Mercadante (7612857).

Madrid

Mario Monreal (piano). Beethoven programme. Fundacion Juan March (4354240).
Mozart festival: Paul Badura-Skoda (piano). Mozart (Tues, Thur). Auditorio Nacional de Musica (337 01 00); **David Allen Wehr** (piano). Schubert, Debussy, Liszt. (Wed). Auditorio Nacional de Musica (337 01 00).

Barcelona

Alicia de Larrocha (piano). Schubert, Albeniz (Thur). Palau de la Musica Catalana.

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich with Steve Honigberg and Daavid Teie (cellists). Gould (world premiere), Ott, Tchaikovsky (Wed). Kennedy Center Concert Hall (467 4600).
Louisville Orchestra *conducted* by Lawrence Leighton Smith with Lee Luvisi (piano). Hindemith, Elliott Carter (Thur). Kennedy Center Concert Hall (467 4600).

Tokyo

Tokyo Metropolitan Symphony Orchestra, conducted by David Shallon, with Tabea Zimmerman (viola). Bartok, Mozart, Elgar (Tues) (882 0727).
Eastman Wind Ensemble, conducted by Donald Hunsberger. Bach, Holst, Grainger, Rimsky-Korsakov. Suntory Hall (Tues) (374 6166).
France Clidat (piano). Chopin, Liszt. Tokyo Bunka Kaikan (Wed) (353 2242).
NHK Symphony Orchestra, conducted by *Jean Fournet*. Rameau, Roussel, Fauré. NHK Hall (Thur) (465 1781).

OPERA AND BALLET

London

Royal Opera, Covent Garden. The new production by Bill Bryden of Janacek's *Cunning Little Vixen is conducted by Simon* Rattle. Latest round of the company's much-revived *La Bohème* production by John Copley; Antonio Pappano (house debut) conducts.
Kirov Ballet continues a season at the Coliseum with *Le Corsaire* (Fri, Sat), then brings in *Swan Lake* (Mon-Wed).
Royal Ballet at Covent Garden presents *A Month in the Country* and *Song of the Earth* (Sat) and *Romeo and Juliet* (Tues).
Northern Ballet Theatre at Sadler's Wells has a triple bill (Sat) and a decent staging of *Giselle* (Tues, Wed).

Paris

Théâtre de la Ville. Dominique Bagouet is followed by Josef Nadj and the JEL Theatre with *Death of the Emperor* (42742277).

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera in *Der Rosenkavalier*, conducted by Emil Tchakarov, staged by Gilbert Deflo with Judith Beckmann, Gunter Missenhardt, Lani Poulson.
Palais des Beaux-Arts. The Brussels Gilbert and Sullivan Society in *Iolanthe* conducted by Stephen Collins.

Berlin

Opera. Andreas Schmidt Lieder recital, accompanied by Rudolf Janssen in an all Schumann programme. *Tosca* has a strong cast led by Pilar Lorengar, Giorgio Merighi and Ingvar Wixell. Also in repertory: a ballet evening with three pieces, choreographed by Maurice Béjart, *Rigoletto* in Hans Neuenfels' production.

Hamburg

Opera. The Brecht/Weill opera *Aufstieg und Fall der Stadt Mahagonny* produced by Guenter Kraemer will have its premiere this week.

Frankfurt

Opera. *Rusalka* has fine performances by Clarry Bartha,Eva Randova, Kristine Ciesinski and Allan Glassman. *Ariadne auf Naxos* has Helena Doese, brilliant in the title role, and Kimberley Barber outstanding as *the Composer. The successful Clemenza di Tito* production, by the Lievi brothers returns. Further offered Gluck's *Iphigenie en Tauride* and *Il Barbiere di Siviglia*.

Bonn

Opera. *Macbeth* is sung by John Rawnsley, *Elisabeth Connell* and Francesco Ellero d'Artegna. Last performance of the Youris Vamos ballet *Coppelia*. *Das Rheingold* stars Wagner specialists Siegmund Nimsgern, Graham Clark, Manfred Schenk and Hanna Schwarz.

Munich

Opera. Strauss' rarely played *Die Liebe der Danae* has a strong cast led by Sabine Hass, Andreas Trauboth and Paul Frey. *Der widerspenstigen Zähmung* has John Cranko choreography. *Nabucco stars* Julia Varady, Wolfgang Brendel and Paata Burchuladze.

Rome

Teatro Valle. As a prelude to the summer season at Terme di Caracalla, and in honour of the World Cup, the Teatro dell'Opera offers three performances (opening Thur) of Paisiello's *Don Chisciotte* in Pino Micol's production, conducted by Gail Gilgor (654.3794).

Florence

Maggio Musicale: Teatro Comunale. Luciano Pavarotti sings Manrico in Giuliano Montaldo's traditional production of Verdi's *Il Trovatore*, conducted by Zubin Mehta (2779236).
Teatro Verdi. Promising event of this year's Maggio is British director Graham Vick's new production of the Brecht/Weill opera (sung in German with Italian surtitles) *Ascesa e Rovina della Citta di Mahagonny*, with Luciano Berio as co-ordinator of the project, and Jan Latham Koenig conducting (2779236).

New York

American Ballet Theatre. The 50th anniversary season includes this week Mikhail Baryshnikov's staging of *Giselle* as well as an All Twyla Tharp evening. Season ends June 30. Opera House at Lincoln Center (362 6000).
New York City Ballet. With a repertory still heavily steeped in Balanchine, the company presently features a festival of *Jerome Robbins's ballets*. Season ends July 1. New York State Opera House, Lincoln Center (870 5570).

Tokyo

Nederlands Dance Theatre. *Stamping Ground, Arenal, Silent Cries, Six Dances* (Tues, Wed); *Shaker Loops, Falling Angels, Soldiers Mass* (Thur). Bunkamura (366 9999).

FINANCIAL TIMES

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Nato's new priorities

THE meetings last week of Nato and the Warsaw Pact produced much more than the customary genuflexions to world peace, seasoned with declarations that this could be achieved only if military guards were kept up. This time, both alliances recognised not only that the Cold War conditions which led to their creation had changed, but that they were obliged to draw political and practical conclusions from such an analysis.

Those conclusions are not entirely similar, though there is a common desire to co-operate in crisis and conflict management in the framework of organisations such as the Conference on Security and Co-operation in Europe (CSCE), strengthened for the purpose. In the case of the Warsaw Pact, its decision to transform itself into a grouping of sovereign states with equal rights, "formed on a democratic basis," welcome as it is, can be seen as no more than the formal recognition of the *fait accompli* which has occurred in eastern Europe. It may not even survive as an organisation at all, if Hungary carries out its desire to quit and others are persuaded to follow its example.

Note of urgency

That realisation has injected a note of urgency into the demands of the Soviet Union that the two military alliances should be replaced by a pan-European security organisation such as the CSCE, which would assume not only their political, but also their security functions. Nato, which is not on the verge of disintegration like the Warsaw Pact, and Mrs Margaret Thatcher are right to work to a much longer time-table. New security systems are not built in a day. It would be folly to jettison a successful shield before it was clear what kind of system would replace it, particularly in the present politically uncertain climate in the Soviet Union and eastern Europe. That does not mean that the CSCE should not have any security functions at all, but that these should be developed gradually while the military alliances are progressively transformed into more political animals.

It is not, therefore, for her assertion that Nato must continue to exist for the foreseeable future, or that a mix of conventional and nuclear weapons is still required for the alliance to maintain an effective defence posture, that Mrs Thatcher should be criticised. Nato Foreign Ministers, including Herr Hans-Dietrich Genscher of Germany, endorsed both propositions at their meeting in Turnberry. It is for her blunt statement that modernised nuclear weapons must continue to be based "forward" – that is, on Nato's front line.

Out of tune

The Prime Minister's proposal might seem logical in terms of Nato's existing strategy of flexible response. However, it is entirely out of tune with both the need to take account of the new situation in Germany and the common desire to offer security assurances to the Soviet Union in return for its acceptance of a united Germany's membership of Nato.

After the fuss that was made in West Germany about the now abandoned programme to modernise Lance short-range missiles, it is unrealistic to believe that a unified Germany would accept that updated replacements, such as new air-launched missiles, should be based on its territory. This is all the more true since the alliance's front-line, for all intents and purposes, would still be on West Germany's eastern border, after the decision that no Nato forces would be stationed in what is now East Germany for an indefinite period after unification.

The review of Nato's strategy, including the future role of nuclear weapons, has only just been started and is unlikely to be complete by the time the alliance's London summit takes place at the beginning of July. To rekindle the nuclear argument now, at a time when Moscow appears to be close to accepting the reassurances that the West is offering on arms control and political co-operation, risks upsetting both the Germans and the Russians at the same time. If a delay in the whole unification process is to be avoided, more restraint is in order.

Labour and industry

WHEN Labour Party industrial policy espoused wholesale re-nationalisation and intervention, voters in the UK may have spurned what was on offer – but at least they knew what it was. Now many of the old dogmas have been dumped. Labour's biggest challenge is to demonstrate that it has any distinctive and worthwhile alternative.

Looking to the Future, the party's policy document, is long on rhetoric about forging a "partnership" between government and industry, but short on credible explanations of what it would amount to. On training, rightly accorded emphasis, it makes some sensible proposals, including closer integration of education and training and an up-grading of youth training schemes. Yet the approach is scarcely revolutionary, focusing largely on modifications to existing programmes.

The document also acknowledges that little progress can be achieved without fundamental changes in management attitudes – to which Labour's answer is vague talk about a new training culture. A similar caveat applies to proposals to boost civil research and development spending. More technology "push" would, on its own, do little to regenerate British industry when its main weakness is responding to market "pull".

Symbolic gestures

Labour favours more regional assistance, primarily for small and medium-sized businesses, to strengthen technology transfer and management performance. Yet its plans seem largely a re-working of the Government's Enterprise Initiative. It is also unclear what funding gap Labour's proposed regional and national investment banks are supposed to fill, given that they would operate on "strictly commercial lines". Nor is it obvious that a "public interest" test for mergers would deter short-termism. The more likely result would be fuzzy criteria which would retard healthy restructuring and pander to special interest lobbying.

For the rest, Labour's pledges to return British Telecom to state control and build a nationwide fibre optic network look largely symbolic, while its proposal to replace regulators of privatised utilities with a clutch of consumer bodies seems aimed more at vote-catching.

Lacking rationale

This policy mish-mash reflects Labour's central dilemma : though it has renounced blueprints for the state-led regeneration of British industry, it still clearly yearns for an activist industrial role. Yet the party is unable to provide the notion with any coherent rationale. Attempts to legitimise it by claiming that industries elsewhere in Europe prosper because they receive more generous government support are merely naïve.

Italy is awash with subsidies, but its most dynamic industries have the least to do with central government. In West Germany industrial policy, insofar as it exists, is primarily the province of the banks. The federal government confines itself mainly to anti-trust enforcement and pumping money into larger groups, while assertive intervention by Länder is as often resented as appreciated by local industry. France's economic resurgence, meanwhile, has coincided with sharply reduced state involvement in industry's affairs.

The danger of Labour's dreams of "partnership" with industry is not that they would lead to large-scale intervention. Budgetary constraints and Britain's EC obligations would probably restrict policy initiatives to tinkering at the margins. The bigger risk is of a slide into corporatism, which would respond too willingly to special pleading by managers and trades unions eager to evade market disciplines.

Improved performance by British companies during the 1980s owes much to a change in the business climate which has forced them to face up squarely to the consequences of keener competition on their own. If industry is to go on making progress, the last thing it needs is a busybody government itching for opportunities to act as nanny.

Richard Johns and **Robert Graham** on trade links between Mexico and the US

Hands across the border

The weight of history has always sat heavily on Mexico's shoulders. Nowhere is this more evident than in its complex relationship with the US, which has never been forgiven for annexing half of Mexican territory in the mid-19th century.

The two countries have long appeared to be conducting a dialogue with their backs deliberately turned. But within the past six months a real warmth has crept into the relationship, promising to bring Mexico much closer to its giant neighbour.

President Carlos Salinas de Gortari is likely to provide striking evidence of this in Washington today, where he and President Bush are expected to sign a letter of intent commiting the two countries to work towards a bilateral agreement on free trade.

As this project progresses, it holds out the tantalising possibility of Mexico eventually forming part of an expanded North American free trade area, joining the US and Canada (which ratified their own Free Trade Agreement 18 months ago) to make up a market of close to 400m people. Following the upheaval in eastern Europe, the prospect of the EC's single market in 1992, and the seemingly unstoppable trading strength of Japan, Mexico's realignment is of great commercial, political and strategic significance.

Although the proposed linkage is not expected to influence the current Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) negotiations, it could lay the foundations of a new trade bloc in the event of a resurgence of protectionism.

This unprecedented attempt to consolidate the US-Mexico relationship is not going to be easy; between them there has always been great potential for conflict.

None the less, President Bush supports the move and so far the US Congress has avoided pandering to ingrained fears of an uncontrolled flood of Hispanic immigration coming across the Rio Grande. President Salinas, for his part, has simply brushed aside deep-rooted Mexican suspicion of an often insensitive imperial neighbour and decided that Mexico's future lies in closer linkage with the US.

In both Mexico City and Washington, senior officials increasingly share one, central assumption. This is, as one US official put it, that "even if Presidents Bush and Salinas do no more than ratify their existing, sector-by-sector approach to liberalising trade, there is a virtually unstoppable dynamic towards closer integration."

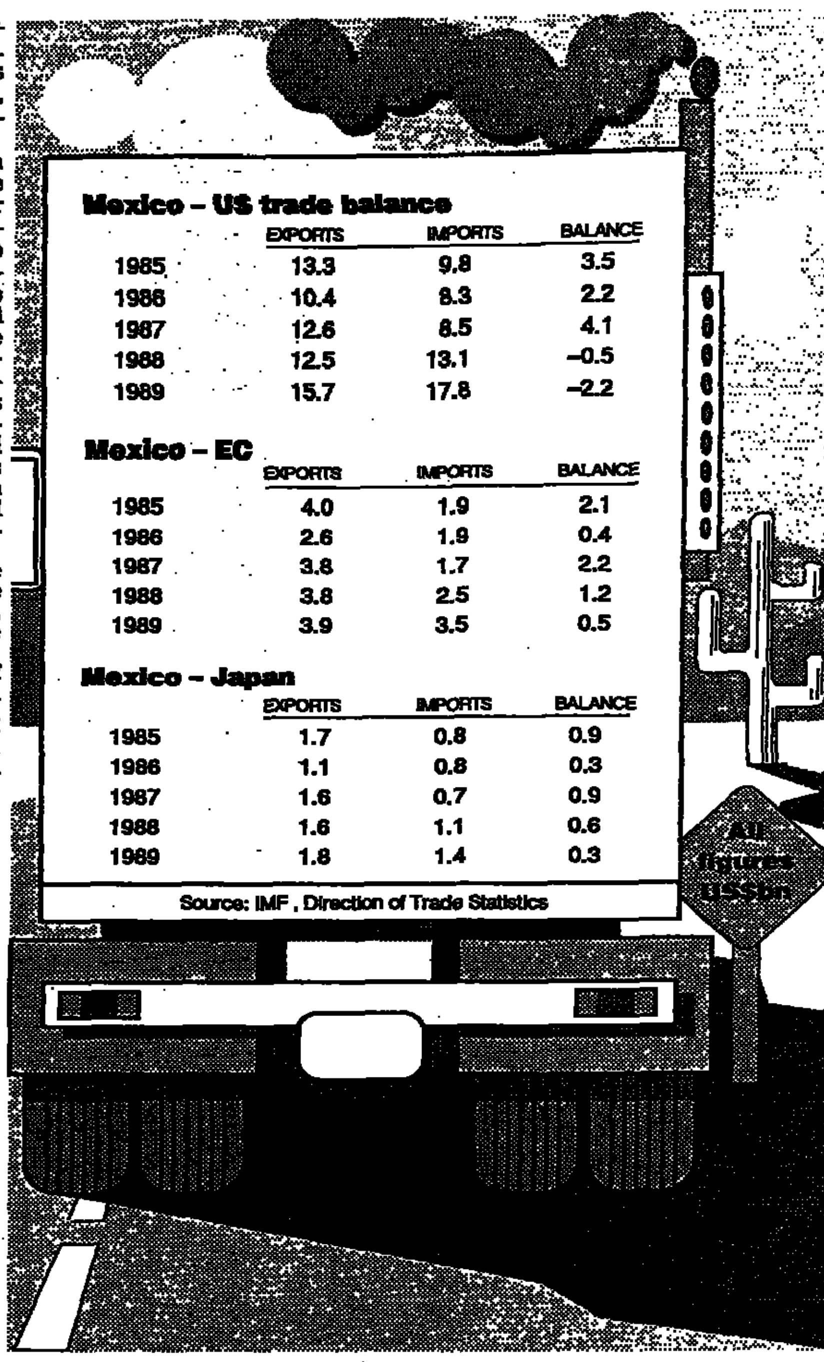
Quite apart from the market opportunities for the US in Mexico, free trade could further shift labour-intensive production south of the border

Until recently neither side publicly recognised the economic and political consequences of their growing interdependence.

The US accounts for 70 per cent of Mexico's annual $50bn trade and Mexico is the US's third-biggest trading partner. Mexican citizens hold assets in the US worth an estimated $40bn, most of it the result of capital flight. The US accounts for two-thirds of total foreign direct investment in Mexico of $23bn. But within the past year two of Mexico's biggest companies have reversed the North/South industrial investment trend and acquired important stakes in the US market.

Cemex, already one of the world's largest cement makers, has now, through acquisitions, become the biggest cement producer in the sun belt. Vitro, after purchasing Anchor Glass Container Corp. and Latchford Glass, is now the second-biggest glass container producer in the US.

The border area itself has been transformed in the past decade by the fast-expanding "in-bond" assembly or *maquiladora* industry. This now provides 470,000 jobs for Mexicans, who assemble imported American materials into finished goods for re-export to the US, paying duty only on the added value. California and Texas continue to rely on the porous, 2,000-mile border for a steady supply of illegal Mexican labour, particularly in services and agriculture. Total individual border crossings last year are estimated to have been 200m. The frontier has increasingly become an abstraction and the border region a transnational entity with common political, economic and cultural traits.



Mexico – US trade balance

	EXPORTS	IMPORTS	BALANCE
1985	13.3	9.8	3.5
1986	10.4	8.3	2.2
1987	12.6	8.5	4.1
1988	12.5	13.1	–0.5
1989	15.7	17.8	–2.2

Mexico – EC

	EXPORTS	IMPORTS	BALANCE
1985	4.0	1.9	2.1
1986	2.6	1.9	0.4
1987	3.8	1.7	2.2
1988	3.8	2.5	1.2
1989	3.9	3.5	0.5

Mexico – Japan

	EXPORTS	IMPORTS	BALANCE
1985	1.7	0.8	0.9
1986	1.1	0.8	0.3
1987	1.6	0.7	0.9
1988	1.6	1.1	0.6
1989	1.8	1.4	0.3

Source: IMF, Direction of Trade Statistics

This unique border between the First and Third Worlds has at the same time created bilateral frictions, especially because of its growing role as an entry point for illicit drugs. Under the last administrations – of President Reagan in Washington and President Miguel de la Madrid in Mexico City – narcotics trafficking caused vexation and strain. And now the issue has again threatened to sour what started as a close relationship between Mr Bush and Mr Salinas.

In April, the US Drug Enforcement Administration employed bounty hunters to kidnap a certain Dr Humberto Alvarez Machain from Mexico to stand trial in Los Angeles on charges connected with the 1985 torture-murder of Enrique Camarena, a DEA agent. The doctor is alleged by the US to have given Camarena injections to prolong his interrogation by traffickers. There have also been recent allegations in US courts that Mr Enrique Alvarez del Castillo, then the Governor of Jalisco where the murder took place, and now the Attorney-General, protected the killers.

Mr Salinas is reported to have remonstrated with Mr Bush over the telephone about the kidnapping of the doctor. But differences on this score are unlikely to interfere with the grand design for more integrated economic and trade links favoured by both leaders.

It has been common in discussing such links to highlight the obvious clash between First World and Third World economies, and between Catholic Hispanic and puritan Anglo-Saxon cultures. But the alliance would bring important mutual benefits.

The US needs to protect its southern border, while it regards co-operation on immigration, narcotics and the environment as essential. With declining US oil reserves and rising petroleum production costs, Mexico offers a secure source of high quality crude and petroleum products. Quite apart from the market opportunities for the US in Mexico, free trade could further shift labour-intensive production south of the border. This would give America greater flexibility in competing against Japan and the Pacific Basin NICs.

From the Mexican perspective, in spite of all the danger of being exposed to US competition, the alliance would provide an anchor of stability for economic, monetary and fiscal policy, apart from a (now) two-way flow of investment.

Of equal importance would be the overall stimulus to help shoe-horn Mexico into the league of developed countries. "It is a question of us joining the race or being just left on the sidelines," says Mr Peter Hutchison, finance director of Alfa, Mexico's largest private industrial group.

For Mexico the opportunities offered by free trade are obvious. The Government believes that the enhanced export opportunities and the elimination of non-tariff barriers would increase both foreign investment flows and the return of Mexican flight capital.

In the wider North American frame, the Canadian Government has been kept fully informed of Mexico's intentions and movements, and naturally, it is reacting with caution. Mexico is a potential threat to its own share of the US market. This is especially the case with Mexico's fast-expanding automotive industry, which US manufacturers are using more and more to supply low-cost, reliable-quality parts and vehicles. Alfa, for instance, can ship parts from Monterrey in northern Mexico to Detroit within four days. The car industry is now Mexico's second-largest foreign exchange earner after oil.

There is no precedent for a First World economy integrating with one from the Third World. In Mexico, greater integration might well accelerate the divide between the more prosperous and industrialised North and the poorer, more rural South. In the US, on the other hand, the "hispanisation" of the South could accelerate. Such imponderables are only just being aired.

The previous Mexican and US administrations set in motion after 1985 a cautious sector-by-sector approach to trade liberalisation. This was in tandem with Mexico's membership of the Gatt from that year, and its radical reductions in tariff and non-tariff barriers from 1986.

Though this has led to a growth in trade flows between the two countries, Mr Salinas had rejected the concept of a free trade area with the US during his electoral campaign in 1987-88. He is understood to have decided upon closer integration with Mexico's northern neighbours following his visit to western Europe in January, when he was disappointed by the response to his plans for closer ties with the post-1992 EC.

Mr Salinas and his colleagues also tend to underline how Spain and Portugal benefited by their entry into the Community as "weaker" partners. The Mexican leader was impressed, officials say, by what Mr Brian Mulroney, the Canadian Prime Minister, told him in March about the increased employment that followed the 19[illegible] US-Canada agreement.

In spite of his enthusiasm, neither side is rushing things – indeed, the tendency both in Washington and Mexico City is still to play down the drive for integration. Inside the US administration the predominant view is that detailed talks can not start until the final stages of the Uruguay Round negotiations of the Gatt. Officials believe the Mexican talks would become knotted on the same issues holding up the Gatt agreement, such as free movement of labour and the opening up of financial services. US officials add privately that the prospect of mid-term congressional elections in November would in any case make any earlier start impolitic.

There are, it is true, formidable obstacles to overcome. Mr Salinas, when his outline plan for a free trade area was recently rubber-stamped by the Government-dominated Mexican Senate, asserted optimistically that such an accord "would facilitate the exchange of goods and services, including labour in a stable manner."

Yet in the US, powerful interests are opposed to the whole idea. The AFL-CIO trade union federation has already let Congress know its opposition in writing. The unions have long expressed hostility to the way in which the *maquiladora* programme – permitted under two clauses of the customs regime – has shifted jobs from the northern rust belt to the sun belt. Ironically, proponents of the "in-bond" assembly system have stressed that it helps keep potential Mexican immigrants inside Mexico, while Mexican opponents of commercial integration with the US fear that Mexico will be turned into a vast *maquiladora* providing cheap labour and missing the technological boat.

The controversy could become even more tangled as a result of proliferating Japanese and, to a lesser extent, South Korean assembly plants on the border.

Yet the US has a vested interest in Mexico's economic stability and prosperity. The Bush administration is developing a more coherent policy towards its southern neighbour. Under President Reagan, different parts of the Washington bureaucracy pursued separate, sometimes belligerent and often conflicting agendas, a pot-pourri of issues from drugs and communism in Central America to pharmaceutical patents.

Mr Bush and Mr Salinas have got on well from the first. At their earliest meeting shortly before taking office in Houston in November 1988, the chemistry seemed right. Mr Salinas spent five years at Harvard accumulating a doctorate and two masters degrees; Mr Bush, an adoptive Texan surrounded by Texans, has a Mexican daughter-in-law. Both sides announced that a new "spirit of Houston" was abroad. Within the next months, it seems certain that the spirit will be put to the test.

OBSERVER

First Lady in Basle

■ There will be a new face at the annual jolly of the Bank for International Settlements in Basle today. Maria Schaumayer is not quite the first woman to head a central bank; there was once a woman at the top of the national bank in China. But she is the first in the OECD area.

Schaumayer is the President of the National Bank of Austria, and has been less than two weeks in the job. Her appointment was a surprise to everyone, including herself. She took over from Hellmuth Klauhs, who died in office. But whereas Klauhs's appointment, two years before, was preceded by all sorts of political wrangling, Schaumayer was almost rushed into the post.

She is 58, a keen tennis player and concert-goer, and was previously a director of the Austrian state oil company. As a woman in Vienna, she was now not even regarded as a candidate for the National Bank. Once the shock had worn off, however, her appointment turned out to be remarkably popular among Austrians.

When she turns up in Basle today, her fellow central bankers might like to congratulate her on the size of her salary. At Sch7m a year (£350,000), it is one of Austria's highest, and considerably more than that of Karl Otto Pöhl, the President of the Bundesbank.

"The high payment goes with the independence and the temporary function," she says, noting that her five years in office will carry no pension rights. "You step in with zero and you leave with zero, and in between you get a lot." There is no shortage of tasks. Eastern Europe is opening up, Austria is hoping for membership of the EC, and Vienna isdeveloping as a financial centre. Schaumayer would like the country to become a full member of the European Monetary System even before it joins the Community.

Otherwise, she plans no big policy changes, and has no qualms about being a lone female central banker. "I am very honoured and very confident." Her visits to the UK have shown her the progress women are making here. "Now, when I address any meeting with 'Ladies and Gentlemen', I don't have to wonder if there are any ladies."

Vache 22

■ A reader has sent us some pages from A Dictionary of English Phrases by Albert M Hyamson, published in 1922. Under the entry – Eat the mad cow, To – it carries this definition: "To be reduced to extremities, so as to eat even a cow that that has died of madness. From the French."

Peak in Darien

■ The reason why the Bank of England has declined to put William Paterson on the back of the new £50 note is not that he was a Scot. According to the Dictionary of National Biography, there is no evidence that he was. This was a myth put about in his youth rather as, in a later period, there were romantic stories about the origins of Brendan Bracken.

Paterson was born in Dumfriesshire, and bred in England from his infancy. The DNB spells his name with one "t" against the Bank of England's two, but leaves no doubt that he was the Bank's real founder. He put up the idea and some of the money, conducted the negotiations with the government, drafted the articles and became a director.

It was the Darien scheme – for the founding of a colony in what is now Panama – that let him down. This was opposed by Spain, France and Holland: the English government – in the days before Margaret Thatcher – bowed to continental pressure and left him in the lurch.

He had great powers of recovery, however. He wrote a pamphlet advocating the union of England and Scotland and it was he who drew up the articles of the treaty relating to trade and finance. Still, nearly 300 years on, the Bank of England evidently regards him as too controversial a figure to commemorate on its paper.

"I got the idea from a football hooligan."

Fisher's play

■ Mark Fisher, the Labour Party spokesman on the arts and media and MP for Stoke on Trent, has made his debut on the London stage. His dialogue, Cutting Room, had three performances at The Theatre Upstairs at the Royal Court last week.

"There were not many people there for the Saturday matinée," he said modestly. "Probably about 15." There were rather more in the evening when Observer saw it: probably about 40, and therefore about half-full.

If it is any comfort, we thought it was rather good. It is about a tv company putting pressures on a writer to water down a fictional script with political overtones. Fisher does not come on either side, but illustrates the dilemmas. "It is not as long as Roy Hattersley's novel," he said. Indeed it lasted only 25 minutes.

The son of the former Tory MP, Sir Nigel Fisher, he worked in regional theatre before going into politics. He looks like a future Home Office man, should Labour win the election.

Geordies

■ For the Republic of Ireland's soccer team, the World Cup competition is largely irrelevant. What really matters is tonight's game with England. So anyone expecting to do business with Dublin today, or who might make the mistake of putting in a call to Irish relatives this evening, can spare themselves the effort. The whole country will close down for "the match".

Jack Charlton, the manager of the Irish team, is by far the most popular man in the country. No matter that he is English; the Irish know he's different. After all, he's a Geordie from England's north east: though so, of course, is Bobby Robson, the England manager.

Letztes Wort

■ A reporter was interviewing the mother of 12 sons and one daughter in Minnesota. "My husband is German," she said, "so the boys are named after German generals; the girl, the youngest, is Alice." "What made you choose that name?" the reporter asked. "Mister," she said, "when I told my husband I was pregnant for the 13th time, he shouted: 'Gott im Himmel! Das ist Alles!'"

Richard Donkin and **Victor Mallet** on the problems confronting BCCI's worldwide banking operations

Chastened retreat to Mid-East roots

The jade-encrusted Chinese screen, the deep pile carpet and the polished marble walls cast a veneer of opulence over the Leadenhall Street headquarters of the Bank of Credit and Commerce International.

Behind the facade is a financially troubled corporation preparing to retreat to its Middle Eastern origins, riven by acrimonious power struggles, saddled with bad debts and tainted by its association with the Latin American drug trade.

That BCCI has survived a series of bad loans – which came home to roost in the 1989 accounts – is probably due in some measure to Mr Agha Hasan Abedi, the bank's 67-year-old, Indian-born founder. He lives in Harrow-on-the-Hill, in north west London, and has had little involvement in the day to day running of the bank and its largely Pakistani staff since he underwent a heart transplant two years ago. But he flew to Abu Dhabi in March to take personal control of negotiations to sell a further holding in the bank to the Abu Dhabi authorities, which at the same time agreed to inject $600m of fresh capital into the bank.

Abu Dhabi bought the 20 per cent stake owned by the Bin Mahfouz family of Saudi Arabia, and the deal left Sheikh Zayed bin Sultan al-Nahyan, the ruler of Abu Dhabi, and various Abu Dhabi government agencies with 77 per cent of the bank's shares. It also signalled the beginning of the end of Mr Abedi's vision of a Moslem-owned world bank that bridged the gap between western wealth and Third World poverty and linked one developing country to another.

The upheaval in BCCI's corporate structure following the $498m loss recorded last year and the admission by two BCCI subsidiaries to drug money laundering charges in the US has yet to run its full course. The bank, which says it has not finalised all the decisions, is moving its headquarters to Abu Dhabi from London and is expected to shift its registration to Abu Dhabi from Luxembourg.

BCCI has expanded rapidly since its foundation 18 years ago and has a presence in 73 countries, but the future of operations in Africa and the Americas is now in doubt. In the UK, BCCI is initially closing 17 of its 43 branches, with 500 redundancies. That is expected to be only the start of a programme leading to 4,000 job losses among its 14,000 staff worldwide. By this time next year, the bank that has spread its corporate structure so widely around the globe that it is supervised by its own committee of central bank regulators, will be, in the words of one former executive "just another Arab bank".

In London the head office has been rocked by a power struggle between Mr Zafar Iqbal, the Punjabi-born Pakistani managing director of BCC (Emirates), and Mr Swaleh Naqvi, Mr Abedi's London-based right-hand man and Chief Executive Officer. Staff at BCCI say the Naqvi camp is being sidelined by Mr Iqbal, who struck up a close relationship with the Abu Dhabi ruling family during his tenure in the UAE and is now heading the Reorganisation Committee.

BCCI has always been a people bank. One of the great strengths of the Lucknow-born Mr Abedi has been to cultivate influential contacts, including Middle Eastern potentates – such as Sheikh Zayed, who enjoys hunting in Pakistan – and western politicians such as Mr Jimmy Carter, the former US president.

Mr Abedi's aptitude served him well when his first bank, United Bank, of Pakistan, was nationalised by President Zulfikar Ali Bhutto in 1972. Mr Abedi went to Beirut with a number of his former lieutenants and established BCCI in the same year with support from interests in Abu Dhabi and Dubai. An important element of the original shareholding was the 33 per cent stake of Bank of America, which was keen to establish a toehold in the Middle East. Bank of America pulled out in 1980.

Launched on $2.5m of capital, the bank embarked on a rapid expansion programme and by 1988 it could boast more than $20bn in assets in more than 400 offices across the world. It became one of the largest privately-owned banks in the world, and the 43 branches it established in the UK made it the most extensive foreign bank branch network in the country.

BCCI was renowned for the dedication of its staff and the individual if unconventional nature of its services to customers. "If you want £500,000 in a suitcase on a Sunday a little guy from BCCI will come along with it – you won't get that at Lloyds," says one admirer in London.

But the BCCI blood-letting has led to bitter recriminations from those middle managers likely to lose out from the retrenchment; they accuse their seniors of nepotism and of letting down loyal employees. Mr Abedi recruited a predominantly Pakistani workforce and persuaded them that the bank was like a family. Junior officers were prepared to work for comparatively low salaries in the UK and were encouraged to work long hours and at weekends.

"We gave our all for BCCI," says one employee. "We were told it was a family bank which looked after its employees. We were told our sons would come and work for the bank. Now we are being discarded."

BCCI's bread and butter business is in short term trade finance and in personalised retail services to individuals, often expatriates. The bank has not provided much in the way of country loans, which used to be one of its proudest boasts when comparing its performance to that of the banking giants burdened by Third World debt.

In the case of Nigeria, however, commercial debt was converted into sovereign debt, and BCCI was forced to make a $145m provision, recording an after tax loss of $49m in 1988. It was the second large financial blow to hit the bank. Four years ago shareholders faced a cash call of $150m after the bank lost $200m in two years of US Treasury Bill option trading.

The 1988 provision came at the end of a year when drug money laundering conspiracy charges were levelled against the bank in a US customs sting operation run from Tampa, Florida. In January this year BCCI agreed to pay back $15m of money laundered through its branches when two of its subsidiaries pleaded guilty.

More recently the bank's senior management has been warned by its US general manager of a "very serious danger" of a new indictment against the bank, this time in Miami. Federal officials are curious to know why BCCI injected $25m into CenTrust Bank of Miami in 1988. CenTrust went into receivership in March.

The warning was included in a BCCI internal report discussing plans to close most of its US offices leaving the New York office to look after US operations. BCCI lawyers say they are confident the bank will not be charged. BCCI said the recommendations of the report, which also pointed to $29m of bad debts at the Miami office, represented only some of the alternatives being considered by the bank.

BCCI is unwilling to disclose details of its bad debts. Of the $600m provision for bad debt in 1989, it said that just $165m could be classed as "southern debt", BCCI jargon for Third World debt. The rest, says BCCI, was trade-related. Some BCCI group officials have identified trade finance losses in Nigeria, retail losses in Oman, and provisions for Hong Kong.

"Our lending policy closely followed central bank regulations in the respective countries in which we operated," said one senior bank official. "In those countries where regulations were not so tight, we lent more. There was no negligence in our lending policy but some naivete," he said. "Fundamentally there is nothing wrong with the bank but errors of judgement have been made."

Foreign bankers say BCCI expanded too fast and with little control. "Their management structure was too dissipated," commented one Gulf-based banker. "When Hasan Abedi had his heart transplant in 1988, it went to pieces."

BCCI's college of regulators, a group of officials from Luxembourg, England, Spain and Switzerland set up in 1987 (Hong Kong and Cayman Islands joined later), appears to have encouraged the move to Abu Dhabi as a way of formalising the emirate's responsibility for the bank.

Although in practice Sheikh Zayed, the ruler of Abu Dhabi, has not shrunk from the task of ensuring BCCI's financial security, one of the potential problems with BCCI was that the Luxembourg Monetary Institute (IML) is not a central bank and therefore not a lender of last resort. The money-laundering conviction and the 1989 loss only increased the regulators' concerns.

The IML itself is pleased about the proposed move, even if it cautions that the details of future supervision have not yet been finalised. "If the conditions are fine then we will be pleased that they have taken this decision," says Mr Jean-Nicolas Schaus, the manager in charge of banking supervision at the IML.

"With all these new factors (the drug scandal and the recent losses) it's true that this must be hurried up," he says, although he baulks at the suggestion that the regulators have pushed BCCI's incorporation out of Europe. "We have discussed with BCCI since years back, urging them that this group has nothing to do with Luxembourg and that the real organisation is in London, and the shareholders in the Arab countries . . . When they go to Abu Dhabi certainly the authorities will take care of this bank."

Hounded by international bank regulators and harried by US federal authorities, BCCI is returning chastened but not crushed to its Middle Eastern roots.

Additional reporting by Peter Lieftinck in Abu Dhabi

LOMBARD

Training is for people

By Michael Prowse

The British Government believes that employers should bear primary responsibility for raising the skills of the workforce. Government funding for training is being cut and employer-led Training and Enterprise Councils are assuming control of local training programmes. The case for devolving responsibility to employers is that they ought to know which kinds of investment in "human capital" are likely to prove profitable.

The drawback is that employers have known what needs to be done for a century yet investment in training has always been lamentably low. There is no good reason to suppose that a policy of relying on the voluntary efforts of employers will prove more successful in the 1990s than it was in the 1890s. Although companies would collectively benefit from an expansion of training, this is not necessarily the case for individual employers.

There are two problems. The first is that employers who do invest in training cannot prevent the bidding away of staff by those that do not; indeed, the latter may be able to afford higher wages precisely because they do not have a training budget. In theory this source of "market failure" can be tackled by making all companies contribute something towards training. The Government, however, is not willing to countenance compulsion: training levies of the kind imposed in France have been ruled out.

The second problem is that it is not in the interests of many employers to offer training – even if they can prevent poaching. Mr Peter Ashby of Full Employment UK* points out that employees frequently perform excellently in their current jobs yet feel under-employed. Unless employers can offer such individuals real scope for personal development, training is likely to leave them more, rather than less, dissatisfied. In many low-skill occupations, the interests of employer and employee are directly opposed: workers are prevented from quitting only by lack of access to the skills training that would enable them to earn higher wages.

The moral Mr Ashby draws is that training programmes should be centred on individuals' rather than employers' needs. He argues that all employees should be given a minimum entitlement to two days' leave each year for training of their choice. This could be rolled forward to allow two weeks' training leave after five years. The costs would be shared equally between employers and employees. The Government would be expected to finance career guidance and counselling – vital services if the low paid are to break out of dead-end jobs – and underwrite low-interest loans for employees willing to invest in training.

At first glance, the Ashby scheme is apt to underwhelm the training enthusiast. An entitlement to two days' training leave a year on half pay hardly seems calculated to set the world on fire when enlightened companies are already offering six or seven days on full pay. And why should low-skilled employees have to save or borrow to finance training when middle-class students receive three years' free tuition at university as well as help with living expenses?

Mr Ashby is not arguing that his scheme is a sufficient response to Britain's training needs. He is interested in the art of the possible. In the present climate, two weeks' training leave after five years is probably the most that employers would be willing to concede; anything more might provoke implacable opposition.

What matters is the principle behind the scheme. The Government's current view is that employers must take the lead on training. Full Employment UK is saying that such a strategy is doomed. The only people certain to benefit from training are the individuals that undertake it: they, therefore, must lie at the heart of any policy to promote it. Instead of browbeating employers to do things that, strictly speaking, are not always in their interest, the Government should take practical steps to help employees – of all ages – invest in their futures. There is nothing unThatcherite in that.

**Investing in skills. £5 from 4 Europa House, St Matthew Street, London SW1.*

LETTERS

Global warming: the need to avoid crying wolf

From Professor George Allen.

Sir, May I add my support to Christopher Dunkley and Mr Doll-Steinberg (Letters, June 7) in questioning the recent stances of the United Nations and the One World Programme on global warming. (Tomorrow's World was a worthy exception).

I have reviewed all the major greenhouse-related articles which have appeared in the last 18 months or so in Scientific American, Science, and Nature. I cannot see how at this stage anyone can assert with any confidence that we face a serious greenhouse risk or, of course, that we do not.

The six unusually warm years worldwide in the 1980s are not statistically significant. As admitted by many protagonists of global warming, the mathematical models on which the arguments must be based for the time being are seriously defective on at least the following counts: poor model specification of cloud characteristics, insufficient information on polar ice and its effects, and an inadequate understanding of the oceans' capacity to absorb carbon dioxide. Models which give similar global forecasts reach radically different regional conclusions and so on.

There is sufficient basis for concern to believe, as I do, that the precautionary principal requires governments to take far more action than they now propose to control greenhouse gases, to strengthen sea defences, and to assess in advance the economic responses for plausible warming scenarios.

But, at all times, we need the language of caution and necessary qualification. Statements carrying the risk of alarmist exaggeration must be avoided like the plague.

This is not pedantic quibbling. Suppose that the 1990s turn in a run of globally cool years (which would be completely compatible with underlying global warming) and that the oceans prove capable initially of absorbing the atmosphere's extra heat for two or more decades. The greenhouse threat appears to have disappeared, we are reminded of the shepherd boy and the wolf, and politicians back away from the difficult decisions, while all the time a threat is building which would be exceptionally difficult to counter once the oceanic sinks began to fill some time into the next century.

George Allen,
West Woodlands,
Newton Tracey,
Barnstaple,
Devon

Green for go

From Mr B.G. Jenkins.

Sir, I read with interest the article on the CBI's environmental auditing initiative (CBI urges green audits," June 5).

I thoroughly endorse the need for internal audit of the environmental consequences of business activity. But the initiative needs to go further. You draw attention to the dangers of a "greenwash." This concern is likely to be shared by the green lobby groups. I believe there is a need for independent assessment of environmental performance to provide credibility to environmental claims.

My firm has been giving thought to whether the traditional values and rigours of external financial auditing can contribute to the development of effective environmental audit. We believe they can.

We also believe there is an urgent need to agree standards of environmental performance which can be used as a consistent yardstick of good practice. Without this, one cannot assess how well or badly businesses are performing.

We have been busily developing our capability to provide independent assessment of environmental performance. We are also ensuring that our regular audit teams are in a position to evaluate the impact on the financial performance of businesses and to raise management awareness of the opportunities and demands of environmental excellence.

B.G. Jenkins,
Head of Audit,
Coopers & Lybrand Deloitte,
Plumtree Court, EC4

The decaying state of Britain's African studies

From Mr Douglas Rimmer.

Sir, Observer's argument ("Wrong turn at the FO," May 29) that we need to maintain through our diplomatic representation knowledge of far-off places, even those where nothing much is happening at present, may be applied equally well to area studies in our universities and polytechnics.

Sub-Saharan Africa is currently a region of small diplomatic significance and limited business interest, yet, as the region where human population is growing most rapidly and environmental changes appear particularly significant, its potential for future importance can hardly be doubted.

In 1986, Sir Peter Parker's report to the University Grants Committee on the requirements of diplomacy and commerce for Asian and African languages and area studies included a recommendation that a permanent body be established to monitor and encourage these studies. Nothing has been done to implement this recommendation and African studies in higher education continue to decay as practitioners age and are not replaced by younger scholars.

Similarly, the International African Institute, headquartered in London and once the apex of African studies, has been denied British government support for several years and operates on a minuscule scale compared with its former role. Like other kinds of capital intellectual capacity requires maintenance and renewal. A need to rescue our knowledge of Africa becomes increasingly urgent.

Douglas Rimmer,
18 Chesterwood Road,
Kings Heath, Birmingham

The Community's anti-dumping regulations and competition laws

From Mr Patrick A. Messerlin.

Sir, Mr Juvet and Mr Waldburger (Letters, May 15 and 24) have provided us with a superb, if involuntary, illustration of the pressing need to subordinate anti-dumping regulations to competition laws. I only wish the evidence they presented was as illuminating.

Mr Waldburger's defence of the European Community's ferrochrome industry omits some relevant "details." He does not say that the 1982 anti-dumping case, which followed a first case filed in 1978, was lodged by the sole EC producer of low-carbon ferrochrome. He omits to say that both cases led to 10 years (1978-1988) of undertakings imposed on all the leading foreign exporters.

He forgets to add that undertakings is a euphemism for price collusion, as revealed by the remarkably parallel doubling of intra-EC and EC import prices between 1982 and 1986. These price collusion agreements which cover 75 per cent to 90 per cent of these imports make irrelevant the notion of "duty-free" imports.

Mr Juvet's letter is equally forgetful. He says we should pay no attention to anti-dumping cases terminated by no measures. He forgets that for all the products he mentioned the allegedly dumped imports had a measurable drop in market share – ranging from 1 per cent to 16 per cent – after the cases were filed.

Mr Juvet claims that no anti-dumping measures were applied to US subsidiaries of EC synthetic fibre producers because their exports to the EC were small. Has he forgotten that the official reason was the "high prices" charged by the US subsidiaries? Mr Juvet omits to say that in at least two out of three times, anti-dumping measures were imposed on smaller (but not related to EC companies) foreign exporters.

Finally, Mr Juvet's justification for exempting the EC synthetic fibre industry from Article 85 is fascinating: the over-capacity and state subsidies of the 1960s and the 1970s then required anti-dumping measures in the 1980s and 1990s to protect the industrial adjustment the exemption from Article 85 is supposed to promote.

In other words, if you make big errors in investment capacity because of successful lobbying for subsidies, you then have both rights to be exempted from both domestic competition rules and to be protected from foreign competition; the latter by average anti-dumping duties of 10 per cent to 20 per cent in addition to the 7 per cent to 10 per cent regular tariffs.

Both EC companies wiser in their investments and less successful in lobbying for subsidies, and EC consumers will find Mr Juvet's defence of "the complementarity of competition and anti-dumping policies" illuminating.

Patrick A. Messerlin,
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FINANCIAL TIMES
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CANADIAN FEDERATION

Deal struck on future of Quebec

By Bernard Simon in Toronto

A SENSE of national relief tinged with warnings of future discord has greeted a tentative agreement between Canada's political leaders to make Quebec a full member of the Canadian federation.

The deal was reached on Saturday evening after seven days of hard bargaining between Mr Brian Mulroney, the Canadian Prime Minister, and the 10 provincial premiers. It is likely to clear the way for early implementation of the Meech Lake accord, the package which brings Quebec into Canada's 1982 constitution while recognising the francophone province as a "distinct society."

The three provinces which have yet to approve Meech Lake – Manitoba, New Brunswick and Newfoundland – have agreed to submit it to their provincial parliaments before the June 23 expiry date.

Mr Clyde Wells, Newfoundland's premier, said he still has "grave doubts" about Meech Lake, but he had bowed to intense pressure not to stand in way of its implementation.

Mr Wells was consulting his cabinet yesterday on whether to submit the accord to a referendum in his eastern province. He has invited those premiers who support the agreement to put their case directly to Newfoundlanders.

The passage of Meech Lake is expected to take much of the steam out of the separatist movement in Quebec, which has gained new vigour from tensions about the accord between Canada's English and French-speaking communities.

During a three-hour signing ceremony in Ottawa, which ended in the early hours of yesterday morning, Mr Robert Bourassa, the Quebec Premier, said the province "is on the verge of becoming a full partner in the building of a strong and progressive Canada."

While the agreement has met Quebec's minimum demands for remaining a full member of confederation, it has put off several other issues which have the potential for being as divisive as Meech Lake's "distinct society" clause.

The accord provides for a commission to examine western and Atlantic provinces' demand to transform the Senate into a more powerful, elected body. As an interim step, three of the better-represented provinces, notably Ontario, have agreed to transfer 10 of their senate seats to other provinces if no agreement on senate reform is reached by mid-1995. The architect of the interim senate plan, Mr David Peterson, the Ontario Premier, has emerged as the hero of the past week's talks.

The successful conclusion of the Ottawa talks are also likely to bolster the popularity of Mr Mulroney's Progressive Conservative party, which has recently slipped to the lowest standing in opinion polls of any recent Government.

Although Newfoundland's Mr Wells failed to water down the powers granted to Quebec by Meech Lake, he has emerged as a politician likely to play a leading role in national issues. In a remark that will find widespread favour in English Canada, he said that, having gained recognition as a distinct society, Quebeckers should "place Canada first and recognise that, like all the other provinces, Quebec is second."

Background, Page 3

Brian Mulroney: talks likely to bolster his popularity

Robert Bourassa: Quebec is on verge of becoming full partner

EC investment directive behind schedule

By Lucy Kellaway in Brussels

THE 1992 deadline for a single European market in investment services may be missed unless member states can quickly settle their differences over a directive which finance ministers start discussing today.

The directive, which would allow investment firms established in one country to do business anywhere in the European Community, is lagging behind schedule and officials believe the European Commission's target for political agreement by the end of the year is impossible.

The directive is seen as vital to a free European securities market, helping it to become less fragmented and better able to compete with markets in the US and Japan. It is modelled on the Second Banking Directive, which was agreed last year and which establishes the principle of "home country control".

This means that branches set up in another member state are covered by the rules in their own home country.

Although member states already support the principle of a free market in investment services, deep cultural differences between their securities industries are making the rules difficult to agree upon.

The UK would like a market resembling as closely as possible its own free-wheeling system; France would like to see precise rules fixed in advance; and Germany – which conducts securities businesses through its universal banks – is not fully convinced of the need for the directive at all. Most of the other member states barely have a securities business.

Three points of obvious disagreement will be raised at today's meeting, although there is little hope that any will be resolved. They concern:

● Membership of stock exchanges. The directive would allow any firm licensed in one EC country to become a member of any stock exchange in the community. This would mean that banks – which are also covered by the directive – could become members of exchanges.

This creates problems for countries such as Belgium, Denmark, Italy and Portugal, in which banks are barred from membership of exchanges. Other countries, France in particular, are worried that their stock markets and futures exchanges simply do not have the capacity to cope with the flood of new entrants.

● Code of business rules. There is little agreement about how much freedom member states should have over setting the relations between company and client. The Commission has proposed that host states should having considerable leeway, whereas France would like to see a formal code of conduct signed and agreed by everyone.

● Compensation funds. Everyone agrees that the protection of consumers against bankruptcy of an investment company is too sensitive an area to be left to home country control – especially as such funds do not exist in many countries.

Eventually funds will be harmonised across the Community, but commission proposals for a directive on this are not likely to appear for at least a year.

Most countries – with the exception of the UK and the Netherlands – feel the matter is so important that the investment directive should wait until the other directive is ready. That would involve a further delay. Others favour an interim arrangement where host country rules would apply to compensation funds.

According to one negotiator, these three issues are just the "tip of the iceberg", and many other equally divisive questions remain. He said there was no consensus yet on the most fundamental issue of all: what counts as "financial services" and what sort of firms should fall within the directive.

Forum likely to speed reforms

Continued from Page 1

The Nationalists, in the form of the Slovak National Party and the Silesian and Moravian Autonomy Movement, did surprisingly well, ensuring representation at federal as well as national levels.

Mr Jan Urban, the Civic Forum secretary-general, said the Christian Democrats was the only group with which his movement was likely to seek a coalition – necessary to secure a three-fifths backing for constitutional change and for the election of a president.

Mr Benda said talks on a coalition should start this week and said he hoped that Dr Carnogursky would be part of them.

Substantial change in the Government is unlikely. President Havel has already indicated he wishes Mr Calfa, a Slovak and thus a necessary balance to his own Czech nationality, to continue in his post.

The only senior minister likely to lose his job is Mr Richard Sacher, the Interior Mininster and a senior member of the Peoples' Party, whose slow movement against the secret police has cut his support.

CF/PAV, clearly elated at their victory, now face difficult problems of internal coherence, especially if – as many leaders want – they remain movements rather than parties.

British companies agree joint ventures with Soviet businesses

By Charles Leadbeater in Kiev

BRITISH companies are set to significantly expand their presence in the Soviet Union through joint ventures which could eventually be worth hundreds of millions of pounds.

But British executives working in the Soviet Union said UK companies were lagging behind their West German and Japanese competitors.

Details of the deals, across a wide range of sectors, emerged over the weekend at the British Industry Today exhibition in Kiev, the Ukrainian capital.

John Brown, the engineering division of the Trafalgar House group, which on Saturday signed a £238-£297m ($400 –$500m) joint agreement to build an ethylene and polyethylene plant at Novyi Urengoi, in Western Siberia, is close to concluding two other significant deals.

Mr Allan Gormly, John Brown's managing director, will today hold talks in Moscow which could clinch a further deal to build a large multi-purpose pharmaceuticals plant.

The company is also establishing a joint venture with a group of Soviet petrochemical producers to provide engineering consultancy services to upgrade Soviet plants.

Imperial Chemical Industries is developing a wide-ranging strategy to set up carefully selected joint ventures, which could eventually form the base for manufacturing in the Soviet Union. In July the company's board will consider a report recommending that each of its 10 business divisions expand in east European markets.

In agrochemicals, ICI plans to work with large associations of collective farms to market its products and technical assistance. It has just established its first joint plan in Leningrad to provide paint technology to consumer goods producers, which could lead to the manufacture of paint. It is considering possible partners for a systems house to improve Soviet polyurethane production, which could lead to a manufacturing venture.

Rank Xerox, the photocopier manufacturer, is on the verge of registering its first joint agreement and expects to conclude several others in the next 12 months, including at least one assembly plant, according to Mr David Thompson, the company's chairman.

He said the company's plans were based on a projected trebling of turnover in the Soivet Union to about £90m ($151m) by 1995.

JP Kenny, the engineering company, which has teamed up with the powerful Soviet Construction and Industry Bank, is involved in a series of projects, including a planned gas pipeline to western Europe, ship and tug chartering, and underwater oil production systems off Sakhalin Island, and in the Barents and Caspian Seas.

Last year the project, called Intershelf, chartered the first Soviet drilling rig to work in the North Sea to Amoco Norway for about £6.5m ($11m).

ICL, the computer company, which already has a small joint venture in Leningrad to assemble and market its products, is close to signing a much more significant deal with an electronics enterprise, while Glaxo, Britain's largest pharmaceuticals company, is involved in plans to manufacture antibiotics and Zantac, its ulcer drug.

Allied Lyons will this week hold talks with Ukrainian farmers and food processors with the aim of manufacturing a range of products, including juices and pie fillings which could be exported.

Executives from Courtaulds' engineering division are hoping that this week they will be able to sign deals to modernise acrylic fibre plants at Navoi and Novopolotsk.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	22	72	Dallas †	S	23	73	Madeira	F	22	72	Prague	R	12	54
Algiers	S	28	82	Dublin	C	13	55	Madrid	S	29	84	Reykjavik	C	8	46
Amsterdam	C	15	59	Dubrovnik	S	24	75	Majorca	F	24	75	Rhodes	S	24	75
Athens	S	29	84	Edinburgh	C	15	59	Malaga	C	22	72	Rio d'Janeiro		–	–
Bahrain		–	–	Faro	S	21	70	Malta	S	29	84	Rome	F	22	72
Barcelona	C	18	64	Florence	F	21	70	Manchester	C	14	57	Salzburg	C	11	52
Belfast	C	15	59	Frankfurt	C	13	55	Melbourne	C	14	57	S'Francisco †	Dr	13	55
Belgrade	F	28	82	Geneva	R	13	55	Mexico City		–	–	Santiago		–	–
Berlin	R	13	55	Gibraltar	F	24	75	Miami †	S	28	82	Seoul	C	19	66
Biarritz	S	20	68	Glasgow	F	18	64	Milan	F	23	73	Singapore		–	–
Birmingham	C	14	57	Guernsey	S	17	63	Montreal †	Dr	15	59	Stockholm	F	20	68
Blackpool	S	15	59	Helsinki	F	22	72	Moscow	C	18	64	Strasbourg	C	16	61
Bombay	F	31	88	Hong Kong		–	–	Munich	R	9	48	Sydney	S	19	66
Bordeaux	F	20	68	Innsbruck	R	12	54	Nairobi	C	23	73	Tangier	C	20	68
Boulogne		–	–	Inverness	C	12	54	Naples	F	24	75	Tel Aviv	S	28	82
Bristol	F	20	68	Isle of Man	S	13	55	Nassau		–	–	Tenerife	F	23	73
Brussels	C	15	59	Istanbul	S	28	82	Newcastle	C	11	52	Tokyo	C	26	79
Buenos Aires		–	–	Jersey	F	19	66	New Delhi	S	39	102	Toronto †	C	14	57
Budapest	C	17	63	Johannesburg	S	18	64	New York †	S	22	72	Tunis	S	29	84
Cairo	S	36	97	Las Palmas	S	24	75	Nice	S	21	70	Valencia	C	21	70
Cape Town	F	17	63	Leeds	C	13	55	Nicosia	S	24	75	Venice	S	18	64
Cardiff	F	22	72	Lisbon	C	19	66	Oporto	S	20	68	Vienna	R	14	57
Chicago †	S	17	63	Locarno	C	22	72	Oslo	S	24	75	Warsaw	F	15	59
Cologne	R	12	54	London	S	17	63	Paris	F	18	64	Washington †	S	23	73
Copenhagen	S	21	70	Los Angeles †	S	18	64	Peking		–	–	Wellington	R	9	48
Corfu	S	27	81	Luxembourg	C	14	57	Perth	C	17	63	Zurich	T	11	52

C–Cloudy Dr–Drizzle F–Fair, Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder.
† Noon GMT temperatures

US interest rates

Continued from Page 1

to ease."

During a television interview yesterday, Mr Boskin indicated that the Gramm-Rudman statutory targets for reducing the Federal budget deficit might be revised as a result of the current talks between the Administration and Congressional leaders.

He said "in the context of strengthening the Gramm-Rudman process and the budget process, with an orderly reduction of the budget deficit, it may be that we wouldn't get exactly there [to the $64bn target for fiscal 1991 starting this October]."

Mr Boskin stressed the importance of improving disciplines in the budget process, saying he was opposed to raising taxes in a situation "where we don't have any effective control over government spending.

"We have no way to make sure that any additional revenue [from, say, an increase in the Federal petrol tax] will go to reduce the Federal budget deficit."

He added: "I want to make sure that, whatever we do in these budget negotiations, we make sure that it's designed to reduce the deficit and that it does so in a way that promotes the growth of the economy."

Thatcher sees scale of problems which face Gorbachev

By Philip Stephens in Leninakhan

THE RESURGENT nationalist movements in the Ukraine and in Armenia gave Mrs Margaret Thatcher, the British Prime Minister, a first-hand glimpse this weekend of the scale of the problems facing President Mikhail Gorbachev.

Mrs Thatcher ended a three-day visit to the Soviet Union yesterday with a visit to Leninakhan in the closed and turbulent Republic of Armenia.

Nationalist demonstrators joined a huge crowd welcoming Mrs Thatcher as she opened a British-built school in the city which was at the centre of the region's devastating earthquake 18 months ago. They waved placards denouncing Mr Gorbachev.

The protesters, calling for Armenian independence and self-rule in the Armenian enclave of Karabach in neighbouring Azerbaijan, provided evidence of continuing tension following bloody clashes in the Republic's capital of Yerevan in recent weeks.

The Soviet authorities have closed Armenia to the international press, but made an exception for Mrs Thatcher's visit.

Local officials said Leninakhan had been spared the armed battles seen in Yerevan but that the city was tense.

In the Ukrainian capital of Kiev on Saturday Mrs Thatcher was given a potent demonstration of the growing strength of that Republic's nationalist movement, known as Rukh.

During a meeting at the Ukranian Supreme Soviet, members of the Assembly sympathetic to Rukh called on her to back full independence for the Ukraine.

The nationalists claim the support of just over a quarter of the deputies in the Ukranian parliament. But shortages of fuel and other commodities are boosting their support daily.

Nationalist deputies said the decision last week of the Russian Assembly – whose president, Mr Boris Yeltsin, is Mr Gorbachev's greatest rival – to demand greater autonomy had also underpinned their cause.

Mrs Thatcher, however, pointedly side-stepped calls for western support for the nationalist movements.

The Prime Minister, whose visit was covered extensively by Soviet television, took every opportunity to praise Mr Gorbachev and to urge patience so his reforms were given time to work.

The tumultuous welcome she received in Leninakan, where an estimated 100,000 people lined the streets to greet her, was seen by British officials as underlining the strength of Anglo-Soviet relations apparent during her visit.

The school opened by Mrs Thatcher forms part of a western aid effort to rebuild the city after the devastation of the December 1988 earthquake. Of the 25,000 who died, 16,000 lived in Leninakan.

On the issue which dominated her talks with Mr Gorbachev – a united Germany's membership of Nato – British officials were confident that they had detected a softening in his tone.

Mr Gorbachev continued to insist publicly that Germany must leave the western military alliance after unification.

However, the officials said that in his private talks with Mrs Thatcher he seemed to be preparing the ground to accept later this year a package of assurances on Soviet security offered by the west.

Background, Page 2

Bulgaria poll is a close race

Continued from Page 1

But in contrast to neighbouring Romania, where people preferred to speak well outside earshot of the polling station, locals standing around the entrance disagreed with the officer who lives in the same apartment block.

"I'm for the blues said Mr Milko Palangursky, a 28-year-old historian who was standing beside the Captain.

If Veliko Turnovo and Sofia were anything to go by, yesterday's first round of elections ended up as a clear contest between the "reds" and the "blues".

The Agrarian Party, the largest of the interwar parties which was co-opted by the communists following the execution in 1947 of its leader Mr Nikola Petkov, was trailing in third place.

THE LEX COLUMN

The bids that are better lost

If the present distress in the UK corporate sector does nothing else, it should give food for thought to the nation's takeover specialists. Last Thursday the Glasgow based retailer Goldberg went bust: 10 months ago, it was the subject of a £32m takeover bid from Blacks Leisure. On the same day Norcros, the building products manufacturer, produced a 44 per cent drop in profits: its market value is now just over half the £540m Williams Holdings bid for it three years ago. Also on Thursday, Pilkington came out with a 3 per cent fall in annual profits: it has underperformed the market by a third since before the BTR bid in 1986.

The subject of great takeover disasters narrowly avoided has a certain gruesome fascination. The UK's biggest turkey so far must be Mountleigh's failed £2bn bid for Storehouse, which is now valued at £540m. In some cases – such as BTR/Pilkington or AB Foods/Berisford – the bidder had the good sense to walk away. More often, as with Lloyds Bank/Standard Chartered in 1986, the bidder was saved only by luck or ineptitude.

It is not always safe to judge the wisdom of a bid by the escapee's subsequent performance. The whole point might have been to change an incompetent management: and having been given a second chance, management might seek to justify itself by desperate ventures. But given the proportion of failed bids which can with hindsight be seen to have been fundamentally misconceived, it is unsettling to consider how many such bids may have had the bad luck to succeed. It might also follow that one old-fashioned strategy for portfolio management has a certain logic to it: always accept a bid, and always sell the bidder.

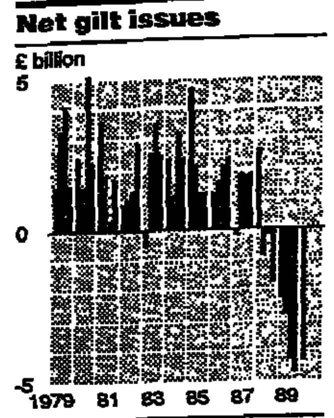
Labour spending

The Labour policy document *Looking to the Future* contained few figures but plenty of hostages to fortune in the form of spending commitments. Greenwell Montagu has estimated that if the party were to fulfil all its promises, the implied increase of public expenditure would come to £50bn a year. Restoration of the real value of 1979 expenditure on housing, for example, would imply a further £7.5bn per annum. Of course, many of the promises will not be met; but even a truncated programme might involve an extra £12bn.

Financing even that could be difficult. The Conservative government's current plans involve a return to a balanced budget by the fiscal year 1992-93, which would imply £7bn of gilt issues in that year to fund redemptions. Labour's spending plans, assuming an extra £3bn from taxation, might require £16bn of issues that year. If Mr Kinnock tried to phase in his more expensive commitments such as water renationalisation over the lifetime of a parliament – involving say an extra £12bn of spending a year, less £3bn of tax increases – the issuing requirement would reach £34bn by 1994-95.

Even given the enthusiasm of gilts market makers for stock to trade, this seems impossible. Persuading investors to buy gilts in such quantities would probably require even higher interest rates than today's. So it appears likely that some of the more ambitious commitments, such as the "training revolution", would be quietly scaled down. Add in the effect of ERM entry, and free-spending Labour could become austerity Labour quite quickly.

Net gilt issues



Building societies

What would happen if the depositors of a sizeable UK building society woke up one morning to find that they could no longer get their money out? No doubt the authorities would trot out the same sort of excuses as they have for the luckless depositors in the British & Commonwealth Merchant Bank. The gist of this is that the deposits are earning interest and perfectly safe. And even if they are not, they are partly covered by the deposit protection scheme up to a maximum of £20,000.

It is not the sort of response which inspires much confidence in depositors, especially those who have their savings tucked away in some of the smaller and more vulnerable UK building societies. After the rapid growth of the last few years, many of those are suffering from a sharp slowdown in business at a time when costs and customer arrears are rising fast. Increasing competition has meant that some have been forced to move further up the risk/reward curve to maintain their profitability than perhaps they should. Apart from the Abbey National, which has converted itself into a bank, they cannot tap the equity markets for extra capital in times of trouble.

In the old days, this would not have presented any problem because the members of the building society establishment could always be relied upon to rescue smaller members which ran into liquidity problems. However, in today's increasingly deregulated climate this assumption may no longer hold true. Building societies are even more vulnerable than most banks to liquidity problems because they have traditionally funded long-term mortgages with short-term deposits. If the authorities want to send a message to bank depositors with their handling of the BCMB affair, they should not be surprised if it is also heeded by the less sophisticated building society depositor.

Eurotunnel

There is no particular reason why Grant's Interest Rate Observer, a small but well regarded New York newsletter, should have an inside track on valuing Eurotunnel shares. Nevertheless, its latest issue has a more detached view than many of the risks involved in this mega-project.

The first obvious point, but still worth repeating, is that the tunnel is being constructed at a time of near record interest rates. The Panama Canal was financed with 2 per cent bonds and the 8 per cent coupon on the Suez Canal's 30-year paper was the equivalent of a junk bond yield. By contrast, Eurotunnel is being financed largely with floating rate debt at rates of interest which when compounded can double the financial burden every five years or so. Add in revenue projections which are too dependent on unpredictable events and Grant's does not like the look of the credit risk let alone the equity. It would be far more confident of the outcome, if Eurotunnel was able to borrow at 3 per cent rather than 10 per cent to 15 per cent. It is hard to disagree.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday June 11 1990

INSIDE

Belgian bank pulls out of Tokyo

General Bank, one of Belgium's leading banks, has sent a shock wave through the banking community in Tokyo. It is closing down its branch there – in an extremely rare move by a foreign financial company in Japan. General, which employs 60 staff in Tokyo, will surrender its Japanese banking licence and maintain only an eight-strong representative office. Page 23

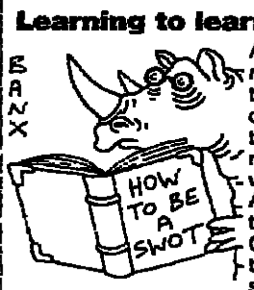
Futures chief replaced in HK

Canadian Douglas Ford (left) has lost his job as chief executive of the Hong Kong futures exchange. Two years ago he was appointed with a brief to rebuild the exchange following the 1987 world markets crash. But progress has been slow and tortuous. A new interbank offered rate contract, called Hibor, was launched, at last, in February this year – but it has not come up to expectations and volumes have remained low. Page 23

Failures give rise to caution

The failures this week of both British & Commonwealth and Coloroll are likely to reinforce the worries of some foreign banks about the fragility of certain British companies. Stephen Fidler finds that these perceptions, right or wrong, coming on top of other problems, including those in the commercial property sector, will have a depressing impact on new lending to UK companies. Page 20

Learning to learn



Adapt and survive; stagnate and perish. That's the law of nature – and of business. But to adapt to the world, a company must have an efficient way of learning from it. A new book, reviewed in this week's Business Column, complains that the techniques of organisational learning are only just creeping onto the executive agenda. Page 36

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Takeovers loom in an uncertain future

UK building societies are under mounting pressure to succumb to outside predators, writes **David Barchard**

Not long ago building societies were stolid, *unchanging, and self-confident* institutions. Now, buffeted by the worst recession in the housing market for 40 years, there is undisguised uncertainty about what the future holds and perhaps even whether there is a future.

Last week, at the annual conference of the Building Societies Association in Brighton, Mr Frank Strickland, the BSA chairman, told societies their numbers would dwindle below 100 in the next few months.

He confirmed that the BSA accepts that the takeover of societies by outside institutions, a taboo subject a year ago, is inevitable. "Perhaps in the not-too-distant future, we shall hear of a non-building society, taking over, no doubt in a friendly way, a building society," he said.

With foreign banks, merchant banks, and insurance groups well represented on the fringes of the conference, and mixing on easy terms with its members, the truth of Mr Strickland's prophecy must have been self-evident to his hearers.

On the first morning of the conference it emerged that a new mortgage company, the Edinburgh Mortgage Corporation, had been set up with the backing of Scottish Amicable, the large Scottish mutual life assurer, to buy small building societies in friendly takeovers and weld them into a new national retail bank.

One of the chief figures in the EMC is Mr Philip Court, until last January chief executive of Birmingham Midshires, the number 12 *society, and a long-standing* advocate of the idea that societies may find their best future within larger financial services groups after a friendly takeover. Mr Court was much in evidence at the Brighton conference, surrounded by building society executives and City deal-makers.

EMC is only one from a growing list of institutions which have made no secret of their interest in buying building societies. Others include Citibank, whose chief executive, Mr John Reid, said recently that he was willing to spend $1bn on an acquisition in European retail banking, Credit Agricole of France, Royal Trust of Canada, Allied Irish Bank, Prudential, and Municipal Mutual Insurance. Municipal Mutual is believed to have put in – but swiftly withdrawn – a behind the scenes bid for Portman Wessex building society earlier this year. "I believe there are about 40 institutions which are actively researching building societies of which 10 are serious buyers," says Mr John Wriglesworth, building societies analyst at UBS Phillips & Drew.

There are two main categories of potential purchasers for building societies: foreign banks wanting a bridgehead into the UK retail banking market and insurance companies looking for outlets for their life assurance products. Virtually all the large insurance groups in the UK are regarded as possible building society predators. Some UK banks, and perhaps even Abbey National, may also consider buying a society.

Possible acquirers

Citicorp (US): First foreign bank to approach building societies about takeovers. Ready to spend $1bn on European retail banking acquisition.

Credit Agricole (France): Already has small UK mortgage company. Building society acquisition is part of its strategy for single European market.

Allied Irish Bank (Ireland): Small player in international markets; sees UK retail banking as natural growth area.

Possible targets

Bristol & West (10th largest): Run by an ex- Citibank executive. Already has link with Eagle Star

Cheltenham & Gloucester (7th largest): Fastest growing top ten society. Few retail banking activities but good fit with a life assurance group.

National & Provincial (6th largest): Strong in retail banking. Thought vulnerable to takeover after reluctant postponement of flotation plans.

Foreign banks may look for societies such as National & Provincial, Britannia, or Northern Rock which sell wide-ranging retail banking products through well-developed branch networks. Insurance companies may favour societies such as Cheltenham & Gloucester or Skipton which rely mainly on thriving mortgage businesses to which insurance products could be sold.

The only approach to a building society from outside the industry so far to be made public came from Prudential to Skipton, the number 17 society. It was declined by Mr Terry Adams, Skipton's chief executive who pointed to a 45 per cent growth in pre-tax profits in 1989.

It has been possible to buy building societies since the beginning of 1988, when they acquired the right to demutualise, subject to a vote by members. So far only Abbey National has shed mutual status. Its large size (more than £35bn in assets) allowed it to demutualise through a flotation *rather than a takeover.*

Most other building societies are too small to do this, though Norwich & Peterborough, the Number 23 society with assets of about £800m is thought by some to be contemplating a float.

Most societies originally saw little to appeal to them in the idea of a takeover measured against continued independence as mutuals. When Citibank sent out executives to preach the advantages of being taken over to the larger societies early in 1988, it got a stony reception.

Today, Mr Tony Fitzsimmons, the Citibank executive who headed the team, is himself head of Bristol & West, the tenth largest society – and Eagle Star, the insurance arm of BAT Industries, is investing £50m in Bristol & West in what could eventually turn into a takeover. Even some small societies are forging links which may pave the way for takeovers. Scarborough, with 20 branches, and assets last year of £157m, is close to ABN of the Netherlands which is funding some of its lending.

Fear of hostility and regulatory harassment by the Building Societies Commission, whose displeasure at the Abbey National flotation was thinly disguised, are believed to be high among the reasons why no societies have announced takeovers so far.

Several prospective building society purchasers have hired the services of London merchant banks. Morgan Grenfell, for example is believed to be advising Royal Trust of Canada, Bank *of Ireland, Citibank, Municipal* Mutual Insurance, and others.

Mr John Franklin, a Morgan Grenfell director who works full-time on building societies, will neither confirm nor deny this list, though it is public knowledge that Morgan Grenfell has advised Birmingham Midshires. "It is a matter of getting the first sheep through the gate. Once the first deal is done, others will follow reasonably quickly," Mr Franklin says.

The first deal will establish the willingness of members to vote for a takeover (at least half a society's members must take part in the ballot with 75 per cent in favour) and the price paid to them for giving up ownership.

Mr Wriglesworth believes a large society, such as National & Provincial with a well-known brand and a network of 324 branches, could fetch about £850m.

If societies are valued at around their net assets plus reserves, this might work out at a cash distribution to each member of about £500 – well above the £140 worth of free shares handed out to Abbey National members. To prevent speculative movements of deposits, the law prevents members of less than two years standing from receiving any cash, even though they may be eligible to vote.

"My own view is that it will be possible for a deal to be announced later this year," says Mr Franklin.

Only 200 deadlocked days till Christmas

By **Anthony Harris** in Washington

The good news last week was that Wall Street equities fell, in spite of reaching a new high on Monday.

This suggests that investors are still resisting mad bull disease, are conscious of the news, and hearing the market talk of another 1987 (or even, in one case, of another 1929). If enough people are afraid of it, it won't happen.

The bad news, though, is that the markets have something real to worry about. It is weakness – weak consumer and investment demand, weak profits, and above all weak leadership from Washington.

Just before the Gorbachev summit, it was possible to hope that the President's initiative in opening a Budget summit promised some real decisions. These would sketch out the fiscal future, restore market confidence and so reduce interest rates. Now it has leaked out that the summiteers had not even discussed an agenda before their recess for the other summit; and Senator Bob Packwood, a senior Republican with a good forecasting record, has been tipping December as the earliest month for any decisions. That was the month of the last-minute "fix" in 1987 (which fixed nothing).

His forecast looks politically irrefutable. Only Rep Dan Rostenkowski, the chairman of Ways and Means, has had the guts to spell out a deficit reduction package – including tax increases – which would work. Everyone has applauded his courage, and ignored his proposals.

At the summit, as long as neither side is willing to be the first to say "taxes", no decision looks possible; and that takes us at least to the mid-term elections in November.

Even in off-election years, it is said that only two things will move Congress to face unpleasant decisions: a crisis, or Christmas. Since the deficit is seen as a nuisance rather than a crisis, that too means Christmas. As in 1987.

This may look deplorably lackadaisical, but on purely domestic grounds non-government economists are making quite a plausible case for calmness. It goes something like this.

"The savings and loan rescue is a deflationary event in itself, because it eliminates the income of shareholders, reduces the income of depositors, and is likely to reduce financial wealth in general when the government's fire sale of real estate assets depresses values generally. The cost does not therefore need to be offset by further deflation.

It is true that, even if the S&L bail-out is omitted, the deficit is well above target; but that, the non-worryers point out, is due to disappointing growth. It is therefore unnecessary to cut the deficit to get interest rates down: they are falling of their own accord.

Conclusion: do little or nothing.

When they read these arguments, older readers may feel the same sense of deja vu that I do: this is the old closed-economy, neo-Keynesian rule-book without the jargon. Assume there is no outside world. Then you do not have to cut other programmes to pay for the S&L rescue, because the rescue expenditure has no demand *weight.* The rest of the deficit is falling in real, *cyclically-adjusted* terms, so all is well. Funny money: that is what the monetarists used to call this way of counting. Welcome to New Age economics.

This nostalgia masks two important facts. Keynes' general theory is really a special theory, developed at a time of excessive world-wide thrift and financial caution. Financial caution is coming back into fashion, at least in the US: bankers are more reluctant to lend, and consumers to borrow, and this is helping to reduce interest rates.

Further, there is an outside world, which has been happy to finance the US deficit in the last few years, but is now short of savings. This shortage can only grow as the capital-starved economies of eastern Europe become bankable. That is why interest rates have not fallen further, and are likely to rise again; and that is why the politicians and the markets ought to be worrying about the US deficit, including the losses involved in the S&L programme. Both mean that the US Treasury has to sell more bonds into a buyers' market.

The New Age optimists are aware of this: they concede that the bond market may be "spooked" when it realises how little the budget summit is likely to achieve. The White House has also been warned: President Bush has refused to give details of his own position on tax issues until an agreement has been reached, for fear of "frightening the markets into exaggerating the extent of the problem" – his own words. Unfortunately, an obstinate silence is likely to be more frightening than anything he could say.

At worst, the stage may at last be set for the financial adjustment crisis forecast by Stephen Marris all those years ago: that is what some brokers fear. At the other extreme, the current slowdown will go straight through to a recession.

At best, the US economy will slow further towards a soggy landing; but interest rates will still see-saw as the market-makers try to generate a little action. If any of these nasty outcomes occurs, the politicians will have a new agenda: who to blame for the whole mess. This column inclines, as usual, to blame the President's flabby leadership. The White House hopes the voters will blame Congress; they seem in a mood to throw the rascals out.

Economics Notebook

High prices and home truths

THE 1990s are shaping up to be a no-nonsense decade.

The new realism was highlighted last week by the collapse of Coloroll in Britain, the travails of Donald Trump in the US and some remarkably frank talk about Africa's prospects at a conference organised by the Overseas Development Institute in the House of Commons.

Both Mr Douglas Hurd, the Foreign Secretary, and Sir William Ryrie, who, as head of the International Finance Corporation has the job of promoting private sector investment in the third world, were not sparing with home truths.

Mr Hurd underlined how "too many of Africa's resources have been dissipated by war, bad management and, in some cases by corruption." Sir William, stressing that Africa needed at least a tripling of private sector investment to 15 per cent from 5 per cent of gross domestic product for development, made clear that it was essential to create institutions that would operate on a market basis, free from political interference.

The disastrous record of aid to Africa – Sir William pointed out that living standards fell by an average of 1.2 per cent annually in sub-Saharan Africa between 1980 and 1988 in spite of the provision of $83bn of official development assistance – and the manifest failure of communism in eastern Europe, will increase the pressures on African governments to adopt free market, western-style policies.

But, as they prescribe radical reform for Africa, western policy makers might also ask how far the region's economic difficulties have been exacerbated through paying excessive prices for imports from the industrialised world.

A remarkable study of trade between France and 20 of its former African colonies over a 26-year period has just been summarised in the June issue of Finance and Development, a quarterly publication from the International Monetary Fund and World Bank. Taking trade in iron and steel as an example, the study's author, Mr Alexander Yeats, a senior World Bank economist, has concluded that the African nations have been paying substantial premiums for imported products.

Between 1962 and 1987, unit values paid by the African countries for their iron and steel imports from France always exceeded those paid by developed market economies. The premiums averaged 24 per cent, creating costs equivalent to their present foreign debt for some countries.

Nor is this problem exclusive to Francophone Africa.

Mr Yeats found that former British, Belgian and Portuguese colonies have also paid premiums similar to those paid by the former French colonies.

Mr Yeats used the Trade Analysis and Reporting System (TARS) developed by the World Bank to analyse France's trade with the African states and his study encompassed products accounting for between 40 per cent and 60 per cent of French iron and steel exports in the period.

The total present value of the premiums paid by the importing countries in the 26 years was $876m, suggesting that their total losses on all iron and steel imports from France was around $2bn. This, according to Mr Yeats, "exceeds the long-term debt of 12 of the former colonies in 1987 and approximately equals the combined debt ($2.2bn) of Burkina Faso, the Central African Republic, Chad and Mauritius."

He concluded that the main reason for this overpricing was a lack of vigorous competition in import markets. This in turn raised serious questions about some of the institutional arrangements governing trading relationships between developed and developing countries.

The dearth of competition reflected the African countries' dependence on relatively few suppliers, partly because of their lack of economic clout.

But Mr Yeats also suggested that overpricing could be used by multinational companies transferring profits and capital out of Africa. Prices may have been pushed higher by the inadequacy of liner shipping routes to Africa and weak internal transport and distribution systems. Growing debt service problems also appeared to push premiums higher in 1986-87, at the end of the study period.

Old Africa hands cite other reasons for high import prices. Long delays often caused by bureaucratic incompetence, deficient telecommunications and the need for importers to pay bribes contribute to import price premiums.

But Mr Yeats also said various restrictive trade practices operated by western governments added to the problem.

Tied bilateral aid, where the recipient country must spend funds in the donor country, has limited the capacity of African nations to shop around and bargain for the best value in imported goods.

The European Community's Lomé Convention could also be increasing the cost of African imports because it requires that EC partner countries in the developing world use EC-produced components if they want their assembled finished goods to qualify for preferential market access.

Peter Norman

THIS WEEK

THE MARKETS have plenty to respond to this week after last week's dearth of major economic releases.

In the UK, today's retail sales figures for May will provide an important indication about the success of the Government's policy of using high interest rates to curb demand and bring down inflation.

Factory-gate price figures, also due out today, will furnish further clues about underlying inflation. These should, in turn, give the markets a good guess as to the rate of retail price inflation in May, released on Friday.

All eyes last month were on the April RPI, which defied worst expectations to rise by 9.4 per cent, and few analysts are predicting a bigger rise in the index in May. Suspicions remain, however, that inflation will break through the 10 per cent barrier sometime this summer.

The US is also awash with economic releases this week, which could show the economy slowing and raise hopes that the Federal Reserve will ease monetary policy.

Economists expect to see some recovery in output over the next few months as car manufacturers rebuild inventories and construction activity picks up.

A continued growth in exports could boost production. Exports of merchandise trade – out on Friday – were up 5 per cent in March.

The following releases have no definite dates.

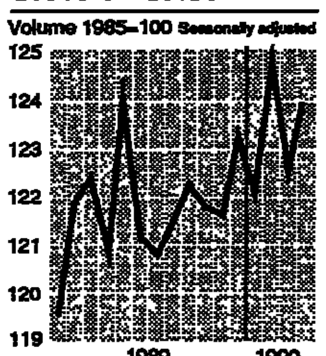
The consensus of analysts' forecasts recorded by MMS International, the financial research company, is in brackets.

Japan, first quarter gross national product (up 8.2 per cent at an annual rate). Germany, May wholesale price index (up 0.2 per cent, month-on-month) and producer price index (up 0.2 per cent).

Other notable events and statistics include:

UK retail sales

Volume 1985=100 Seasonally adjusted



Today: UK, provisional retail sales for May (up 0.4 per cent) producer input prices (down 0.2 per cent) and output prices (up 0.5 per cent). Switzerland, annual meeting of the Bank for International Settlements in Basle, monthly meeting of EC central bank governors. Luxembourg, EC economics and finance ministers meet.

Tomorrow: Japan, trade balance for May ($3bn), Bank of Japan publishes quarterly report. US, first-quarter current account statistics.

Wednesday: US, retail sales for May ex-cars (up 0.2 per cent). UK, first-quarter balance of payments.

Thursday:UK, labour market statistics, April average earnings (up 9.75 per cent) and May unemployment (up 5,000). US, business inventories for April (up 0.1 per cent), producer prices indices for May (up 0.2 per cent). France, preliminary consumer prices index for May (up 0.2 per cent).

Friday: UK, retail prices and tax and price index for May (up 0.6 per cent), usable steel production for May. US, consumer prices index for May (up 0.3 per cent month-on-month), industrial production for May (up 0.3 per cent), real earnings for May, merchandise trade for May ($7.5bn deficit), capacity utilisation for May (83.2 per cent). Japan, wholesale price index for May (1.7 per cent year-on-year).

INTERNATIONAL CAPITAL MARKETS

UK CORPORATE LENDING

Bank runs eye over MOF guidelines

THE collapse of two British companies in a week, following a failure to secure rescue packages from creditors and investors, underlines the difficulties facing lending banks in the UK.

The roots of the failures of British & Commonwealth and Coloroll are different in origin. But, coming on top of other well-publicised problems, including those in the commercial property sector, they are likely to reinforce the worries of some foreign banks about the fragility of some British companies.

These perceptions, right or wrong, will have a depressing impact on new lending to UK companies, although the highest-quality borrowers may not notice the difference. They will also toughen the task of those banks trying to arrange refinancings of other British companies.

In fact, The two failures reveal little that is new. Companies in the home furnishing and decoration sector, such as Coloroll, are suffering a double blow from high interest rates, which punish their business and increase their debt servicing costs. B&C's case may fuel doubt about the value of auditors, but the problems stem mainly from dubious and individual computer leasing practice.

But it is all a long way from what was happening two to three years ago, when banks were competing fiercely to lend to British companies at very low margins. Companies were encouraged to consolidate their bank financings into so-called multiple option facilities (MOFs).

There is no doubt that, in the scramble for business, the original idea of the MOF – as only applicable to the highest-quality companies – soon became lost.

Just over two years ago, the *Bank of England in its* quarterly bulletin warned of "a danger that the tightly priced MOFs will be drawn most heavily when market liquidity is tight and at a time when the pricing of the MOF will be furthest out of line with prevailing market conditions."

Today, that forecast looks uncomfortably prescient. The problem is intensified when companies are in breach of the covenants on loan documentation, relating for example to the ratio of interest payments to cash flow. This can give an excuse for a "committed" bank to withdraw from a facility, thereby shaking a lending syndicate.

According to bankers, the Bank of England has concerns about the way MOFs operate in difficult situations and has asked a number of prominent banks to put their views in writing. It is not clear whether this will result in new guidance from the Bank on the subject.

If the B&C and Coloroll episodes illustrate anything, it is perhaps only to underline the limitations on the ability of the Bank of England to persuade banks to save ailing companies.

This certainly reflects some waning of the central bank's powers of "moral persuasion" over an increasingly international marketplace. Views have also changed about what the Bank should do in these circumstances – a function of the decline of government interventionism. It also reflects the view that none of these corporate failures threatens the financial system as did the UK property collapse of the *early 1970s.*

Then much lending was concentrated among a few outlying institutions, not subject to Bank of England supervision. Today, the general tightening of supervisory standards and improved rules on capital adequacy significantly reduce, though they do not extinguish, the systemic threat.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	761.8	0.0	1,080.0	14,241.1
Prev	330.0	0.0	40.0	14,409.7
Other	2,016.9	0.0	262.6	3,724.7
Prev	974.5	0.0	663.6	3,644.8
Secondary Market				
US$	14,753.0	797.4	6,200.5	6,300.5
Prev	16,233.2	835.0	4,638.5	8,670.4
Other	19,499.4	926.2	3,994.6	31,015.1
Prev	20,688.7	1,171.8	5,818.5	33,957.2

	Cedel	Euroclear	Total
US$	16,703.6	27,430.7	44,134.3
Prev	20,964.1	24,192.7	45,156.8
Other	27,375.9	34,063.6	61,439.5
Prev	27,427.3	39,491.8	66,919.1

Week to June 7, 1990 Source: AIBD

INTERNATIONAL BONDS

From the doldrums to boom time in the Swiss sector

UNTIL A few weeks ago, the Swiss franc foreign bond market had been so long in the doldrums that some syndicate managers had all but given up. Now, however, it is experiencing a remarkable boom.

Halfway through last year, one official described the market as being in "deep yoghurt." The sentiment was little *changed at the year-end.* Today, the yoghurt is much less in evidence.

New-issue volume over the last two weeks has soared amid extraordinary demand for paper. One trader said the rush for paper was dazzling: "We've had our books cleaned out."

Driving the demand was a widespread change in investor perception. The factors which depressed the market for so long, primarily an inverse yield curve caused by inflation worries, were suddenly seen to have diminished beyond psychological resistance levels.

Negative factors have been in slow decline for most of this year.

In particular, the new-found weakness of the D-Mark as a result of German unification worries allowed a revival of the Swiss franc in the currency markets, to the point where banks have noticed purchases by foreign institutions for the first time in months.

In addition, a gradual and accelerating easing of money market interest rates appears to have triggered investor interest in longer-term financial instruments.

Yields available on Swiss franc foreign and domestic bonds were attractive enough to inspire a depth of demand which took even old market hands by surprise.

Earlier this year, investors *were happy to take the 9 per* cent yields available in the money markets.

Recently, the realisation that interest rates might have peaked brought retail and institutional investors into the bond market trying to lock in 7 per cent yields.

Demand has already driven some domestic yields down to 6¾ per cent.

On Friday, there was a small reaction and interest rates edged higher in response both to a slightly weaker Swiss franc and the recent flood of funds away from the money markets.

The outlook, however, remains positive because most investors believe that Swiss inflation has peaked.

Much of the market's weakness was based on fears that an overheating economy was driving inflation higher, undermining the Swiss franc and causing a vicious circle.

Pessimistic forecasts on a period of sustained high inflation set a cautious tone among investors. That pessimism seems to have been overdone and recently inflation has been falling.

Last week the good mood was sustained by figures from the canton of Basle showing its annual inflation at 5.4 per cent, while on Friday the city of Zurich said its rate was running at 5.3 per cent. Both figures are well in line with forecasts for the national rate expected tomorrow.

The upper limit of most forecasts is 5.5 per cent, with the more optimistic analysts suggesting as low as 5.2 per cent. If the figure is significantly higher, the market might go into reverse because of the implication that inflation will take significantly longer to slow down.

If it comes in as expected, syndicate managers think the bond market boom can continue, albeit after a period of consolidation.

A noticeable feature of the boom has been the dominance of the Big Three underwriting banks, Crédit Suisse, Swiss Bank Corporation and Union Bank of Switzerland.

This is partly because the menu of borrowers has been a monotonous list of top-rated multi-nationals, a market traditionally regarded by the Big Three as their prerogative.

It also reflects, however, the way business has concentrated as a result of the lean months.

Smaller players have been forced to contract their operations, reducing their trading and running down their inventory.

Only if the boom continues and investors show willingness to buy paper from lower-rate credits do the small houses expect to start issuing paper, but until then they cannot compete with the big players.

Many of the recent issues have enjoyed spectacular price performance in the grey market. The best example is the European Investment Bank SFr200m 10-year deal launched by UBS in late May with a 7¼ per cent coupon.

The deal had a rough start amid comments that the pricing was particularly aggressive and both Crédit Suisse and SBC declined their invitations. The bonds traded in the grey market outside fees as low as less 2¾ bid. Then came the boom.

As prices across the market began to creep up, the EIB paper suddenly appeared to have all the qualities investors were seeking. Its price firmed, at one point increasing by 1¼ points in two trading sessions to close at less ¾ bid.

Other deals had better initial receptions and similar grey market experiences. Many ended at small premiums to their issue price, while others making their secondary market debuts went to higher premiums.

"Our new-issue portfolios just shrank away," was how one syndicate manager described the last two weeks. The big houses have to account for so-called negative cost of carry, or the price of keeping bonds on their trading books during long periods of inactivity. Even when this is discounted, however, recent profits look healthy.

Allowing for a period of consolidation, it is too early to suggest that the market has returned to long-term health. External factors will continue to play an important role. This is most obvious in relation to Germany. It also applies to Japan.

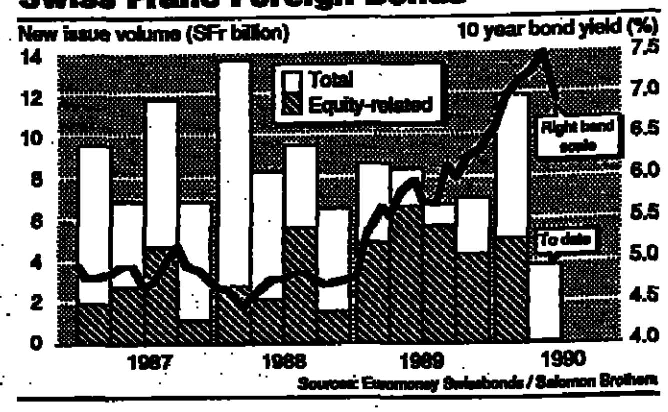
The lack of Japanese equity-*linked business this year* has been as painfully obvious in Switzerland as on the wider Eurobond market.

While Swiss syndicate managers say they are confident that there is enough investor interest to sustain the re-opening of this market, they appear reluctant to risk offending the powers that be in Tokyo.

The only certainty is that the first convertible will look very *different in price terms* from the last such issue before the stock market collapse in Japan.

Andrew Freeman

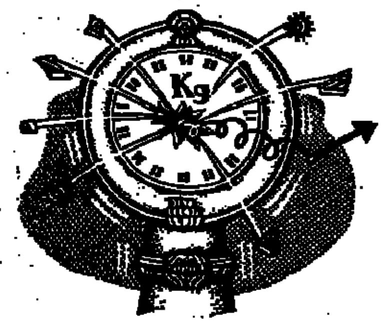
Swiss Franc Foreign Bonds



NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
San Paolo Bank(London)‡◆	*250*	*2000*	*10*	*(a)*	*100*	*Salomon Brothers*	-
Oest. Kontrollbank◆	200	2000	10	$9\frac{1}{8}$	99.60	Morgan Stanley Int.	9.186
Nordic Investment Bank◆	200	1993	3	9	99.975	Morgan Stanley Int.	9.010
Mitsubishi Estate Co.◆	200	1997	7	$9\frac{1}{4}$	101.325	Nikko Secs. (Europe)	8.987
Postipankki(e)‡◆	50	2000	10	(e)	100	Goldman Sachs Int.	-
CANADIAN DOLLARS							
Bacob Overseas◆	50	1993	3	$12\frac{3}{4}$	101.80	ScotiaMcLeod	12.001
SWISS FRANCS							
Ireland◆	150	2002	-	$7\frac{3}{8}$	$101\frac{5}{8}$	Credit Suisse	7.169
Aegon NV★★◆	100	1995	-	7	$101\frac{5}{8}$	SBC	6.606
STERLING							
Ford Credit Funding◆	100	1993	3	$13\frac{3}{4}$	101.275	Samuel Montagu	13.206
Coll.Mortgage Secs.No.4‡◆	*200*	*2030*	*(d)*	*(d)*	*100*	*Goldman Sachs Int.*	-
ECUs							
Swedish Export Credit◆	50	1991	1	11	$101\frac{5}{8}$	Sanwa Int.	9.225
LIRE							
Electricite de France◆	150bn	1995	5	$12\frac{3}{8}$	102.20	Banca Comm. Italiana	11.768
PESETAS							
Int. Finance Corp.◆	10bn	1995	5	$13\frac{3}{4}$	$101\frac{1}{4}$	Bankers Trust	13.391
FRENCH FRANCS							
CB-1(h)‡◆	1bn	1995	1.74	$\frac{1}{16}$	100	Soc.Generale/M. Lynch	-
AUSTRIAN SCHILLINGS							
Omni Capital Markets(b)‡◆	*700*	*1995*	*5*	$9\frac{1}{2}$	$114\frac{1}{2}$	Girozentrale-Vienna	6.053
LUXEMBOURG FRANCS							
A/B Electrolux◆	1bn	1995	5	$9\frac{1}{2}$	$101\frac{1}{2}$	BGL	9.113
Banque Worms★★◆	300	1997	7	zero	53.95	Kredietbank Int.	9.216
Unibank★★◆	300	1995	$4\frac{2}{3}$	$9\frac{3}{4}$	101.80	Banque Paribas Lux.	9.231
Banque Indosuez-Paris★★◆	600	1996	6	$9\frac{3}{4}$	102	Banque Indosuez	9.300
FINNISH MARKKA							
Kemira Int. Finance◆	150	1993	3	$13\frac{1}{2}$	$101\frac{3}{8}$	Postipankki	12.918
Enso Finance BV◆	300	1993	3	$13\frac{1}{2}$	101	Kansallis-Osake-Pankki	13.076
YEN							
Mitsui Real Estate Dev.(c)◆	30bn	1995	5	-50bp	100.10	Nomura Int.	-
Lavoro Bank Overseas◆	10bn	1995	$5\frac{1}{4}$	$6\frac{7}{8}$	$101\frac{3}{8}$	Daiwa Europe	6.548
Nordbanken◆	*5bn*	1993	3	7	*101.575*	*IBJ Int.*	6.406
Elkraft Power Co.◆	5bn	1993	$3\frac{1}{4}$	7	$101\frac{3}{8}$	Sanwa Int.	6.502
Trips Ltd. Series L(f)‡◆	5.85bn	1991	1.08	25bp.	100.10	Toyo Trust Int.	-
Trips Ltd. Series L(f)‡◆	11.315bn	1991	1.16	25bp	100.10	Toyo Trust Int.	-
Credit Local de France◆	30bn	1995	5	6.7	101	Nomura Secs.	6.567
Mass Transit Railway(HK)◆	10bn	1995	5	7	101.20	Yamaichi Secs.	6.826
Australian Trade Comm.◆	30bn	1999	9	6	97.35	Nomura Secs.	6.494
Finnish Export Credit(g)◆	15bn	1996	6	8	100.70	Nomura Secs.	7.849
Int. Finance Corp.(g)◆	15bn	1996	6	8	$100\frac{1}{2}$	Nomura Secs.	7.892

★★Private placement. ◆Variable rate notes. ‡Floating rate notes. ♦With equity warrants. §Convertible. ◆Final terms. a) Coupon pays 25bp over 3-month Libor until Oct. 1990 then negotiated. Fall back rate: years 1-5 plus 50bp, years 6-10 plus 60bp. Call after five years with Central Bank approval. b) Each Sch10,000 has 10 warrants to buy into one Omni Holding share at SFr1,250. c) Coupon pays 50bp under Japanese long-term prime rate. d) Coupon pays 25bp over 3-month Libor, rising to 50bp from year 10. Call from July 1995 at 100. Average life 4.8 to 5.4 years. e) Coupon pays 25bp over 6-month Libor years 1-5, 45bp over thereafter. Call at par from July 1995 and on coupon dates thereafter. f) Coupon pays 25bp over 6-month Libor. Unlisted. g) Reverse dual-currency bond. Coupon payable in A$. Unlisted. h) Coupon pays $\frac{1}{16}$% over 3-month Pibor. Of FFr1bn, FFr100m is a private placement. Note: Yields are calculated on AIBD basis.



1/4.

The peak weight of Konishiki, (affectionately known as The Dump Truck,) sumo wrestler extraordinaire. Expressed in tonnes.

104.

The number of Elvis lookalikes you're likely to find at Omote Sando, Tokyo, every Sunday, give or take a few.

20,044.

The number of times the D'Oyly Carte has performed the Mikado. As of this week.

8,945,210.

The number of packets of McVitie's biscuits that proved irresistible to the Japanese last year, thus helping us to achieve a 23% return to shareholders, on average, over the past 10 years.

UB

A business inspired by half a billion consumers.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Trump junk bonds fall out of bed

POOR OLD Donald Trump! Not content with putting his name on hotels, casinos, Manhattan real estate and a loss-making airline, the star of stage, screen and gossip magazines may now be in danger of winning himself new notoriety, this time in the junk bond market.

Given the tumble in prices suffered by most of his $1.3bn of casino-based junk bonds following disclosures last week of increasingly desperate debt restructuring talks with New York bankers, it may be time to speak of the "Trump Jump."

The term, should it catch on, would refer to what can happen to bonds issued by omnivorous corporate titans when bad news sends prices sliding southward by more than 10 points in a given week. At any rate the "Trump Jump" phenomenon took centre stage last week as Treasury bonds shuffled about in a most lacklustre way.

The Treasury market's inertia — which saw the benchmark 30-year 8.75 per cent bond closing on Friday with an unchanged 8.44 per cent yield on the week — was due to a lack of economic indicators and a mood bordering on the queasy as Mr Alan Greenspan, Fed chairman, described recent evidence on US economic activity as "quite ambiguous."

Fed watchers may have been cooling their heels, but there was no such lassitude from the ever-busy and cash-squeezed Mr Trump.

A newspaper report last Monday revealing tough talk from bank creditors Citicorp, Chase Manhattan, Bankers Trust and Manufacturers Hanover caused an immediate sell-off of Trump junk. Within 24 hours the news had seen the prices of three of Mr Trump's four casino bonds plummet by up to eight points. By the end of last week it was hard to tell (from the prices) whether some of the Trump bonds were high-yield or deep-discount. And most ignominious of all was the fact that Trump junk was *crashing* in marked contrast to the recovery underway elsewhere in the high-yield bond market.

The worst hit bond was the Trump Taj Mahal Funding 14 per cent issue, maturing in 1998, and originally the tool through which some $675m of cash was raised for the Atlantic City casino. The Taj bonds closed on Friday at 56 to 57, having closed a week before at prices between 68 and 70.

The Trump Castle Funding 13¾ per cent bonds, which financed $226m of the Castle casino and come due in 1997, were being quoted at a price of around 60 on Friday, 10 points down on the week. Only the Trump Plaza Funding 12⅞ per cent 1998 paper, some $250m of it, managed to avoid a full 10-point drop on the week, closing at 78 to 80 against quotes earlier in the week in the mid-80s.

The rub for Mr Trump was that the junk bond market was meanwhile beginning to look slightly healthier as the lack of new issues in this discredited sector combined with a modest return of buyers to keep prices up.

Mr David Feinman, a junk trader at Jefferies & Co. in Los Angeles, said the Trump bonds "were reacting to negative press rather than verified fact and in a market where people get nervous and would rather take a small loss today than a big loss in a week." But Mr Feinman and other junk traders said that better quality high yield bonds had gained about a point on the week.

Among the better issues was Duracell's 13¼ per cent bonds maturing in the year 2000, which closed the week at 104½, up a point. Also cited was American Standard's 12¾ per cent paper, due in 2000 and up above par after having opened the week at 98¾. The RJR 13½ per cent issue, as close as the junk market comes to having a benchmark, was unchanged on the week at 98½, but had recovered from a mid-week low of 92.

R.H. Macy paper was shaky all week, and there is $1.5bn of Macy's junk on the market. But that is because the department store spoke during the week of refinancing its debt. As one junk analyst put it: "Anytime anybody is near to restructuring their debt the market becomes afraid of surprises."

Meanwhile on the Treasury front, the market will be looking to this week's feast of figures, although most of them may prove to be inconclusive. The producer and consumer price index numbers for May could show rises of 0.2 and 0.3 per cent respectively, while other data expected to move the market will include industrial production, factory utilisation, the merchandise trade balance for April and business inventories.

Yet few analysts believe that these figures will resolve the fundamental confusion about whether the economy is weakening or recovering. Wall Street is statistic-hungry and does not want to accept the possibility that the US economy is merely stuck in a low-growth channel that could see GNP growing at a rate of less than 2 per cent for the year.

While the market continues to search for a statistical Holy Grail, the reality appears to be a continuing sluggishness in the economy that Mr Elliot Platt of Donaldson, Lufkin & Jenrette says is spreading geographically.

Fed watchers, including the team at Salomon Brothers, reckon that despite excessive swings in market sentiment this year, Fed policy remains fairly well locked in place, supporting an 8¼ per cent Fed funds rate. Salomon says it does not see influences likely to trigger a change in this stance for the rest of the year.

Last, and in terms of market impact also least, was the resignation on Thursday of Mr Manuel Johnson, former President Reagan's choice as vice chairman of the Federal Reserve Board.

Mr Johnson said he would resign on August 3 and return to academia. His departure is not seen as having any implications for the direction of monetary policy and it certainly had none for the prices of bonds.

Alan Friedman

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.25	8.31	8.31	9.92	8.00
Three-month Treasury bills	7.95	7.93	7.86	9.11	7.20
Six-month Treasury bills	8.03	8.01	8.05	9.37	7.18
Three-month prime CDs	8.24	8.21	8.32	10.35	8.10
30-day Commercial Paper	8.13	8.12	8.13	9.95	8.05
8.0890-day Commercial Pape	8.08	8.07	8.10	10.05	8.10

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	99⅜	-⅛	8.49	8.48	8.68
20-year Treasury	107⅜	-⅛	8.53	8.50	8.73
30-year Treasury	103⅜	+⅛	8.44	8.44	8.66

Money supply: In the week ended May 28 M1 fell by $3.4bn to $803.7bn.

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 7/6/90	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	146.40	6.90	146.26	142.04	148.30
Government Bonds	144.49	6.70	144.45	139.74	148.25
Municipal Bonds	148.40	6.97	148.26	143.81	149.83
150.51Govt.-guaranteed Bon	150.51	7.05	150.31	146.08	150.99
Bank Debentures	143.37	7.01	143.15	139.07	142.46
Corporate Bonds	148.35	7.31	148.04	146.77	151.25
Yen-denom. Foreign Bonds	153.63	7.62	153.33	151.70	156.00
Government 10-year†	6.55	–	6.51	151.70	156.00

† Estimated par yield

Source: Nomura Research Institute

Bancapital in broking deal

BANCAPITAL, the Spanish bank, is to acquire 40 per cent of brokerage firm Usera y Morenes, which is facing possible sanctions for alleged irregularities in the $1.1bn placement of Repsol shares last year, Reuter reports.

Bancapital's holding company, Grupo Mercapital, said agreement had been reached in principle on the purchase and the price would be determined from audits. Any fine from the Repsol affair would be set against the purchase price.

The bank said it planned at a later date to obtain a controlling stake in the broking group.

UK GILTS

New market-maker rumoured

ONE YEAR ago, the gilts market was ripe with rumours about the imminent departure of market-makers, and there were even doubts about the future of the market.

But there has been a decisive change of mood in the last month, as the market has finally found profitability, and expectations that the Government would resume stock issuance have grown.

The new confidence was manifest in rumours last week that another participant was hovering on the sidelines of the market.

Several market participants said that Deutsche Bank, the large German financial institution, was taking steps to join the market.

Deutsche Bank did not conclusively reject the speculation that it might be interested in the gilts market; but it said it is "always considering the situation." It indicated that nothing has recently changed in its position, and no announcement should be expected.

Why would anyone want to enter the market now? Though confidence has improved, the market is still rather a gloomy place. The gilts market feels unloved, given the precipitous rise in yields over the last year, the lack of volume, and the lack of government issuance.

Gilt-edged market makers (GEMMs) saw profits in the first quarter of 1990, according to market participants. But it has been a pretty miserable five years since Big Bang. Since then, 10 Gemms have pulled out of market-making and two have joined, leaving 19 to slug it out. The pace of decline slowed last year; three firms withdrew and losses fell to £12m, compared with £190m between Big Bang and 1988.

The market's dramatic reversal in May, making it the best bond-market performer, took everybody by surprise.

Ironically, the losses made in one day when the market turned were probably enough to soak up the first-quarter's profits for some houses. The gains were in any case probably concentrated in three or four of the larger houses, analysts say.

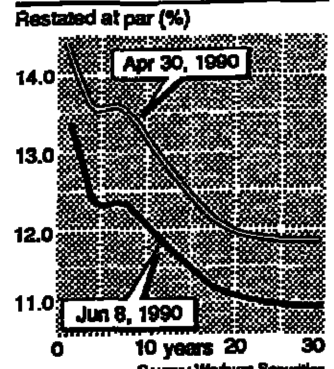
But the expectation of future rises, as inflation subsides and the UK enters the Exchange Rate Mechanism of the European Monetary System, are a powerful lure. "Those that were inclined to drop out, have done so. The rest will stay for the longer haul," said Mr John Shepperd of Warburg Securities.

The main underlying problem in the market is the lack of liquidity, caused by the slow decline in the number of long- and medium- dated stocks. This dates back to the end of government issuance, and the buyback programme last year.

The return of government supply is now confidently predicted by many market-makers. They point to indications of net stock sales indicated by the money supply figures for March and April. The market believes that funding can be resumed on terms that would improve overall liquidity, without damaging prices too far; and, rarely, they have a shared interest with the Bank of England in seeing this operation completed successfully.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

But there is a further hurdle the market will have to jump before it becomes an attractive place to trade. Despite the shakeout, many market participants argue that more GEMMs remain in the market than can be justified. "It still suffers from too many market-makers, and too narrow prices," argues Mr Peter Clark of Kleinwort Benson. He believes that of the 19 GEMMs, only 12 are actively trading; the others are still going through the motions. There is a high degree of concentration of market share, with the top six houses accounting for 60 per cent of business, said Mr Shepperd.

Those who stayed in have tightened their belts, slimming down rather than making the break. Their hope was that in time, the market would revive. But it has been a costly exercise.

Continued presence in the market is, for each individual house, a question of timing and cost. How much capital can they afford to deploy in a tough market, given the expectation of improvement in the future, and for how long? Five years is a long time; when will the market really pick up again?

For those wanting to enter the market, there are two main strategies. Firstly, they could buy existing market-makers with market share and expertise. Secondly, they could generate these internally. At this stage, the first would be preferable.

The market's expectation is that there will be a further shake-out among existing players. This will mean a reduction to perhaps half the current level of market-makers. Thus it may still come down to a competition to see who has the deepest pockets and the most patience. There may be more bloodletting, and the costs of the last five years may be doubled.

If there are those outside the market waiting to make an entrance, they could probably find existing securities houses who found the cost of capital involved in staying in the market excessive. The Bank has no objections to the sale of existing market-makers, given the usual considerations of capital adequacy, fitness and properness. It would probably be happy to see at least one GEMM which was glad to be in the market.

Andrew Marshall

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	98⅞	+⅛	9.43
ABN 9 1/8 94	200	99⅜	+⅛	9.30
AETNA LIFE & CAS 7 3/4 16	200	96¼	+⅛	8.10
ALBERTA PROVINCE 7 3/8 91	750	97⅞	+⅛	8.98
ALBERTA PROVINCE 9 3/8 95	600	100⅛	+¼	9.17
AMERICAN EXPRESS 0 00	450	38½	+⅛	9.51
AMERICAN GENERAL 9 3/4 95	100	97⅛	+¼	10.47
ANHEUSER-BUSCH 9 1/8 92	100	99⅝		9.21
ASIAN DEV BANK 0 04	1000	28¾	+⅛	9.12
AUSTRALIA 11 95	200	106	+¼	9.43
AUSTRALIA 11 1/4 00	100	107⅝		9.97
AUSTRALIAN WHEAT 9 1/2 93	200	100⅝	+⅛	9.33
[illegible]				
PETRO-CANADA 7 1/4 96	200	90⅝	+¼	9.35
PHILIP MORRIS 9 7/8 98	200	99⅝	+½	9.98
PROCTER & GAMBLE 10 95	150	101¼	+¼	9.70
PRUDENTIAL FUNDING 7 3/4 91	150	98½	+¼	9.18
PRUDENTIAL RLTY SECS 0 99	365.216	46⅝	+⅛	9.38
QANTAS AIRWAYS 8 5/8 96	97.75	96¼	+⅛	9.40
QUEBEC HYDRO 9 3/4 98	150	101⅛	+⅛	9.53
QUEBEC PROV 9 98	200	97⅛	+⅛	9.50
QUEENSLAND GOVT 10 1/4 95	100	103	+⅛	9.47
RALSTON PURINA 11 3/4 95	150	105⅛	+½	10.32
REYNOLDS (RJ) 10 1/4 93	100	90⅝	+⅛	14.17
SAINSBURY 9 1/8 96	150	98⅜	+⅛	9.46
SARA LEE 9 3/8 93	150	99⅝	+¼	9.58
SAS 10 99	200	101⅛	+⅛	9.76
SAS 10 1/8 95	150	101¼	+⅛	9.76
SASKATCHEWAN 15 92	150	110½		9.41
SEAGRAM CO 8 1/2 96	100	93⅝	+⅛	9.95
SEARS O/S FIN 0 98	500	46¼	+⅛	9.99
SEARS O/S FIN 11 5/8 93	150	104⅞	+⅛	9.80
SKANDIA INTL 7 1/4 92	300	96⅝	+⅛	9.40
SNCF 7 1/4 94	275	94⅝	+⅛	9.11
SNCF 9 1/2 98	150	101⅝	+⅛	9.24
STATE BK STH AUST 9 1/4 93	100	99⅝	+⅛	9.38
STATE EL VICTORIA 10 92	100	101¼	+⅛	9.36
STATOIL 7 5/8 94	200	93⅝		9.74
STH AUST GOVT FIN 8 3/4 93	100	98⅝	+⅛	9.41
SUMITOMO FIN ASIA 11 3/4 92	150	103½		9.45
SUMITOMO TST 7 3/4 91	100	98		9.24
[illegible]				

	Issued	Bid price	Chg on week	Yield
[illegible]				
DEUTSCHE BK FIN 5 5/8 96	750	84⅝	-⅛	9.01
EIB 6 1/8 96	300	86¼	+⅛	9.18
EIB 6 7/8 98	300	90⅝	+⅛	9.12
ELEC DE FRANCE 6 1/8 98	300	82⅝	-⅛	9.24
EUROFIMA 6 1/4 98	400	82⅝	+⅛	9.37
FERRO DEL STAT 5 3/8 93	500	91¼	-¼	9.29
HENKEL FIN 6 1/2 94 XW	250	90½		9.24
IND BK JAPAN FIN 5 5/8 96	200	84⅛	-⅛	9.24
INTER AMER DEV 7 1/4 99	300	88⅝	-⅛	9.10
LUFTHANSA INT FIN 5 7/8 98	500	82⅛	-⅛	9.13
QUEBEC HYDRO 6 3/4 99	300	84⅝		9.38
SWEDEN 6 1/8 98	300	84⅝	+¼	9.00
WORLD BANK 0 15	2000	14¼		7.93
WORLD BANK 5 3/4 96	300	85¼	-⅛	9.17
WORLD BANK 7 1/8 95	500	93	-⅛	9.03

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	87	+½	7.23
AUSTRIA 4 5/8 98	100	88¼	+1¼	6.82
COUNCIL EUROPE 4 3/4 98	250	86¼	+¼	7.13
DENMARK 3 3/4 91	100	96½		8.75
ECSC 4 1/2 93	80	92½	-½	7.79
EEC 5 1/2 00	100	87½	-½	7.24
EIB 5 3/4 93	100	96¼	+⅛	7.02
EIB 6 90	100	99¼	+⅛	7.65
FINLAND 5 3/8 95	150	93¼		6.91
JAPAN DEV BK 5 1/2 94	100	94½		7.25
NEW ZEALAND 4 7/8 99	200	85	+½	7.26
POLLY PECK INTL FIN 6 1/4 96	100	81¼	+¼	10.72
SWEDEN 5 08	200	99½		5.04
[illegible]				

EQUITY WARRANTS	Expiry	Bid price	Chg on week	Prem
[illegible]				
MITSUI REAL ESTATE DEV	20/03/92	24	-1	30.95
NICHII	17/02/95	16½	-1½	35.24
NIPPON MEAT PACKERS	17/09/92	15½	-1½	43.38
NIPPON OIL	14/08/92	28	+½	17.80
SUMITOMO CHEM	20/01/93	12½	-⅛	60.24
TOYO SASH	27/04/93	48¼	+8½	6.10
TOYOTA MOTOR	15/07/92	44½	+2½	1.85
UNITIKA	20/07/93	14¼	-2½	29.24
YAMANOUCHI PHARM	30/06/92	13½	-¼	51.97

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Prem
GMAC 8 3/4 95 B	11/02/91	8		+8.52
LASMO 9 1/2 96	12/07/92	16		+9.14
MCDONALDS B 10 93	01/01/93	15½		+9.25

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on June 8

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Hungarian $3bn debt placed on credit watch

By Tracy Corrigan

NATIONAL Bank of Hungary Eurobonds have been placed under review for possible downgrade by Moody's Investor Service. The $3bn equivalent of debt is currently rated BAA2.

Moody's said the review was prompted by the rapid political and economic changes in eastern Europe which are boosting Hungary's credit needs, while borrowing conditions are tightening.

Most of the Bank's $3bn of Eurobonds are denominated in D-marks. German bankers said the majority of the high-yielding paper is held by German retail investors, though a portion of the debt was asset-swapped by banks. According to traders, prices in the secondary market did not change.

The review will focus on the effects of the *de facto* collapse of Comecon, which will adversely affect Hungary's output growth and hard-currency cash flow, according to Moody's. In common with other eastern European countries, the overthrow of communist regimes will lead to greater financial requirements.

The National Bank channels foreign currency borrowings into Hungary's treasury.

With $20bn of foreign debt, Hungary's debt per head of population is the highest in eastern Europe, although it has never rescheduled.

Standard & Poor's does not rate Hungary's debt.

Stake sold in Greek publisher

RIZZOLI Corriere della Sera of Italy and France Edition et Publications, the holding company of the French Hachette publishing group, have between them acquired a 51 per cent shareholding in Athenian, a leading Greek publisher, AP-DJ reports.

Rizzoli and Hachette will equally share the controlling stake in Athenian, which expects revenue to reach around Dr 6.6bn ($39.8m) in 1990. Athenian publications include KAI, with a circulation of 200,000, Playboy and Elle.

HK futures exchange to replace chief executive

By John Elliott in Hong Kong

HONG KONG'S Futures Exchange, which has failed so far to recover from the 1987 world markets crash, is not renewing the HK$2.4m ($308,000) a year contract of Mr Douglas Ford, its 46-year old chief executive for the past two years, which expired at the end of last week.

This was decided at the weekend when Mr Robert Gilmore, an executive director of the Securities and Futures Commission, the colony's overall markets watchdog, was appointed temporary chief executive until a permanent replacement is found.

Mr Ford has failed during talks to agree renewal terms with Mr Eoghan MacMillan, the futures exchange part-time chairman, who decided a replacement should be found.

Mr Ford, a Canadian, was hired two years ago to rebuild the exchange, which was closed for four days after the 1987 world markets crash. He came from the Winnipeg Commodities Exchange, which he had successfully built up as president and chief executive over 10 years.

Douglas Ford: HK$2.4m annual contract not renewed

But he faced unexpectedly long and difficult negotiations and intrigue with the reconstruction of the Hong Kong exchange, and it was not till February this year that a new interbank offered rate contract, called Hibor, was launched.

This was intended to open a new era for the exchange which also deals in futures on the local Hang Seng stock exchange index, soya beans, sugar and gold. But, under Mr Ford, the Hibor contract has not come up to expectations and volumes have remained low at only a few hundred a day. There have also been disagreements over exchange levies and how trading should be developed.

Mr Ford said he would probably return to Canada and hoped to agree consultancy terms with the Hong Kong exchange to develop business between the two places.

Mr Gilmore, 43, has been in charge of supervision of Hong Kong's stock and futures exchanges since he was hired in March last year from Chicago, where he was a vice president of the Mercantile Futures Exchange.

Genentech approves Roche deal

By Lousie Kehoe in San Francisco

SHAREHOLDERS in Genentech, the leading US biotechnology company, have approved the sale of 60 per cent of the group to Roche Holdings, the Swiss chemicals and pharmaceuticals group.

The vast majority of shareholders voted in favour of the $2.1bn Roche offer. Of the votes cast, 97 per cent were in favour, Genentech said, although individual shareholders voiced their objections.

The agreement remains subject to the approval of US government agencies including the Federal Trade Commission, which has requested further information about the transaction to satisfy anti-trust concerns, which may delay the culmination of the takeover.

Genentech's primary products are Activase (or TPA), used to treat heart-attack patients and Protropin, a genetically engineered form of human growth hormone, for the treatment for growth hormone deficient children. Sales of those products last year totalled more than $900m.

"I am delighted that a vast majority of our stockholders have agreed that the Roche investment offers us an unmatched opportunity to continue to build Genentech, and to deliver the dream of biotechnology," Mr Robert A. Swanson, Genentech chairman said.

Under the takeover terms, Roche will invest $492m in capital in Genentech. For each two shares of existing stock, Genentech stockholders will receive $36 and one share of a new redeemable common stock. Over the next five years, Roche has the option to buy the remaining Genentech shares at prices ranging from $38 per share to $60 per share.

Car loans to back £300m Eurobond issue

THE FIRST sterling-denominated issue of Eurobonds backed by car loans is expected to emerge soon, writes Tracy Corrigan. Goldman Sachs International is working on a deal, which could be as large as £300m ($506m), secured on loans originated by Chartered Trust, the car financing subsidiary of Standard Chartered.

An established market for car loan receivables-backed debt exists in the US, but has yet to gain a firm foothold in Europe. However, the successful development of markets for mortgage-backed and credit card-backed Eurobonds has encouraged attempts to adapt other forms of securitisation to Eurobond investors' taste.

The issue is expected to have a final maturity of five-years, but the average life of the issue will be between three and five years. The structure of the deal is believed to incorporate substitution of loans.

Norwegian foods group hits peak earnings

By Karen Fossli in Oslo

NORA INDUSTRIER, the Norwegian food and drinks company, posted record profits for the first four months before extraordinary items, of NKr68.7m ($10.6m), up from NKr35.3m in the same period last year.

Group operating income rose by 15.2 per cent to NKr2bn in the period from NKr1.73bn last year. Operating profits rose to NKr100.2m from NKr66.2m.

Nora said the improvement was partly due to a restructuring and streamlining programme which it had implemented, a positive trend in domestic private consumption and in the grocery trade, and a significant advance in profits achieved by Nora Eiendom, its property business.

Nora forecast an improvement in group operating profit for the year as a whole but said it had cash outlays of nearly NKr800m for acquisitions of the UK Needlers group and the Danish DFFG fancy food group. These acquisitions will bring annual group turnover in EC countries in excess of NK1bn.

Nora said it was planning a share issue to raise some NKr250m and today expects a ruling from Norway's pricing authorities on its proposed merger with Ton, a brewery based on Norway's west coast.

De Beers starts trading in its new-style shares

DE BEERS, the world's biggest diamond producer, today launches trading in its new-style shares splitting De Beers Consolidated Mines, the South African parent, from De Beers Centenary, its new Swiss affiliate, Reuter reports.

The Swiss affiliate houses its foreign interests including the London-based Central Selling Organisation that controls 80 per cent of world diamond sales.

Shareholders will own securities in both groups, but these will trade as a single, linked De Beers/Centenary unit.

La Générale to surrender Japanese banking licence

By Stefan Wagstyl in Tokyo

GENERALE Bank, one of Belgium's leading banks, is to shut its Tokyo branch, in an extremely rare move by a foreign financial company.

La Générale, which employs 60 staff in Tokyo, will surrender its Japanese banking licence and maintain only an eight-strong representative office.

The decision, which was revealed to the Japanese Ministry of Finance at the beginning of the month, will send a shock wave through the foreign banking community in Tokyo.

The accepted wisdom among foreign bankers is that it is difficult to close in Tokyo without harming a bank's claims to be fully international. Even banks which have seen no future for their Tokyo operations have stayed in Japan in the belief that leaving would damage their reputations.

But, rumours of one or more banks closing were rife last summer, when 70 out of 83 foreign bank branches were losing money. This year, the pressure has eased with a big increase in business because the monetary authorities have forced Japanese banks to slow lending growth and so driven borrowers to foreign banks.

Mr Claude Crespin, the Belgian bank's Tokyo general manager, said La Générale's decision had nothing to do with the Tokyo branch's performance, which was this year making record profits. In the year to March it made Y530m ($3.35m) pre-tax, against Y414m the previous year. The bank had decided to concentrate on its core business in Europe. Providing domestic banking services to Japanese clients contributed nothing to this goal, even if it was profitable.

WestLB in East German move

By Katharine Campbell in Frankfurt

WESTDEUTSCHE Landesbank, the largest of the regional public sector institutions in West Germany, has agreed to set up a joint venture with Deutsche Aussenhandelsbank, the East German foreign trade bank in a partnership that opens up wide-ranging possibilities in eastern Europe.

The new entity, the Deutsche Industrie-und Handelsbank, intends to begin operations as a fully licensed universal bank immediately after currency union on July 2. It starts with an equity capital of DM300m ($180m), contributed equally by each partner, taking 200 employees from the former foreign trade bank and 30 from WestLB.

The various parts of the old East German state banking monopoly have been eagerly snapped up the big western banks, on the strength of their branch network, suitable buildings and key staff with contacts and experience of the system being extremely scarce.

Deutsche Bank, Dresdner Bank and now WestLB have all opted for the joint venture approach, and avoided assuming responsibility for old credits of dubious worth, as would have been almost inevitable had the banks taken a stake in existing entities.

Deutsche Aussenhandelsbank, which previously wielded an 80 per cent share of the country's foreign trade (two-thirds of which was to Comecon countries), will lose its virtual monoply in this area, but its contacts will help the joint venture assess short-term country risk arising from export finance to the eastern block.

Within East Germany, DIHB will target corporate risk, the financing of commercial buildings, and community finance (the latter a particularly competitive area because the new community borrowers start without any debt).

Before talks began, WestLB had plans to set up some eight sales offices in East Germany. These will be folded into the new joint venture. DIHB will start with 10 branches in addition to the headquarters in East Berlin. The new entity will be run by Mr Jürgen Sengera, who has been in charge of East Germany at WestLB for some years.

VRN issues gain much-needed fillip

By Tracy Corrigan

ISSUANCE of subordinated variable-rate notes is gaining a much-needed fillip from the waning of a significant source of subordinated debt for banks, the Japanese private placement market.

As Japanese investors turn their attention to domestic corporate debt issues, they are shunning private placements of subordinated debt. European banks are finding it increasingly difficult to raise subordinated capital by this well-tried route, while underwriters are mourning the loss of another lucrative business.

Banks, under pressure to raise capital in order to meet capital adequacy requirements, are taking a fresh look at the variable-rate note sector of the Eurobond market, which is emerging from dormancy.

A $400 million issue of perpetual, subordinated VRNs for a southern European bank is expected to emerge this week via Salomon Brothers International. Under BIS guidelines, this would rank as upper tier two capital.

Last week, Istituto Bancario San Paolo di Torino brought $250 million of 10-year variable-rate notes, following the reopening of the VRN sector the previous week, when two Finnish banks tapped the sector to the tune of $350m.

Several other banks are said to be looking at the VRN market, with issues in sterling and dollars under consideration.

UK COMPANY NEWS

Share placing gives valuation of over £20m

Seton Healthcare joining market

By Clare Pearson

SETON HEALTHCARE Group, a Lancashire-based company, plans to join the main market next month via a placing which will value it at more than £20m.

The origins of the company lie in Oldham in the early 1950s when, Seton claims, Mr Ivor Stoller, father of the current chairman, invented the tubular bandage which replaced the conventional wound dressing.

Bandages and dressings continue to form the heart of the group. But during the late 1980s Seton branched out, mainly through acquisition, into topical pharmaceuticals and sports and leisure equipment distribution.

Mr Norman Stoller, chairman, says he intends after Seton has gained its listing to pursue acquisitions in complementary areas, with the accent on building brands in specialist areas.

In the placing Seton expects to sell shares worth about £7m to £8m. All but about £2m of this will represent new money. The Stoller family, together with other directors, will retain a controlling holding in the enlarged share capital.

Seton says it still commands market leadership in the UK for elasticated and non-elasticated tubular bandages, sold under the "Tubi" brand. It also has a range of orthopaedic software where it claims a leading position in cervical collars.

In 1987 it acquired a Bootle-based manufacturer of non-invasive pharmaceuticals from Schering, the West German chemicals and pharmaceuticals company. It moved into the sports and leisure field via the purchase in 1988 of a distributor of its knee support and shin guard products.

In the year to end-February, the company incurred an interest charge of more than £1m against operating profits of slightly more than £3.3m. These, about 35 per cent higher than the previous year, were scored on turnover about 17 per cent higher at £27m.

About two-thirds of Seton sales are made overseas. In the UK, customers are split about half and half between hospitals and retail outlets.

Guinness Mahon is advising Seton on the flotation.

All-round progress helps RCO to 33% rise

RCO Holdings, which provides cleaning and related services to commercial and public sector clients, lifted pre-tax profits 33 per cent from £1.3m to £1.73m in the half year to end-March 1990.

The chairman said that all sections of the business continued to progress well and the directors were confident that the full year results would again exceed those previously, although they were not expected to show a percentage increase of the size of the last two years.

Turnover rose from £13.78m to £17.46m. After tax of £630,000 (£468,000) earnings per share amounted to 10.29p (7.85p). The interim dividend is lifted from 2.7p to 3.5p.

The thoroughbred that was left at the starting gate

By Kieran Cooke in Dublin

IT IS not often that Mr Vincent O'Brien, the legendary Irish horse trainer, is openly criticised in his own country.

However, shareholders of Classic Thoroughbreds, the publicly quoted bloodstock company set up by Mr O'Brien and a group of wealthy backers three years ago, wanted some answers at the company's annual meeting held in Dublin.

One asked: "Why haven't we had any classic winners?" Mr O'Brien replied: "We are doing the best we can". The Irish trainer, at 73 and still one of the most revered of all figures on the Irish sporting scene, said he was now working harder than he'd ever worked in his life in order to produce results.

Shareholders – bunched, puffing and sweating in a small hotel room like horses rounding the final bend in the Derby – were not entirely satisfied.

Classic Thoroughbreds was formed to produce horses which would win big races, particularly the classics. Such horses would then be sold – often for millions of dollars – to stud. Many shareholders put their funds into the company on the strength of the O'Brien legend, and influenced by the presence of other racing heavyweights on the Classic Thoroughbreds board, including Mr Robert Sangster, the football pools millionaire and one of the world's leading racehorse owners, and Mr Michael Smurfit, head of the Smurfit paper and packaging group.

On the face of it the idea seemed sound. In the 1970s and early 1980s the partnership of Mr O'Brien and Mr Sangster produced classic winners with almost tedious regularity. However, since its formation Classic Thoroughbreds has been left at the starting gate.

Horses bought with shareholders' money and trained by Mr O'Brien have not produced the goods. There have been no classic winners.

In 1989 pre-tax losses rose to I£6.78m. That compared with a deficit of I£1m in the previous year. A rights issue late last year failed miserably and cash flow from the highly expensive thoroughbred business is now a problem for the company.

New owners in the racing world, particularly the Maktoum family from Dubai and the interests controlled by Mr Khalid Abdullah from Saudi Arabia, seem to have no such financial problems. Their ever-growing stables are also producing classic winners.

Mr O'Brien told the meeting: "We have had some problems".

Meanwhile, the company is holding its breath and praying – like any punter who has staked everything on a final gamble – for a classic winner.

Lower ad revenue takes toll on Yorkshire Radio

A DECREASE in net advertising revenue coupled with substantially higher costs led to a reduction from £619,000 to £410,000 in pre-tax profit at Yorkshire Radio Network for the half-year ended March 31 1990.

But the future "looks much brighter", suggested Mr Michael Mallett, chairman of this USM-quoted independent radio contractor. Advertising revenue was running above last year's level and national advertising, in particular, was much better. There was tighter management and the cost base had been reduced substantially, albeit at some reorganisation expense.

The half-year was boosted by the first contribution from the Singapore operation, which provided turnover of £2.57m and trading profit of £219,000.

UK turnover dipped to £2.53m (£2.54m) as net advertising revenue fell by 7.7 per cent. That was exacerbated by the incremental costs – over £400,000 in the period – of the regional service, Classic Gold, leaving the trading surplus at only £42,000 (£613,000).

Earnings were 2.82p (5.31p) per share. The interim dividend is 1.5p.

Avesco puts £3.5m cost on Spaceward closures

AVESCO, supplier of equipment to the television and video industries, has closed the manufacturing and research operations of its Spaceward subsidiary, following the patent litigation brought against it by Carlton Communications, writes Vanessa Houlder.

Mr Richard Murray, chairman, said that 35 jobs would be lost in a restructuring exercise that would cost £3.5m.

Quantel, a subsidiary of Carlton Communications, won a law suit against Avesco, concerning a patent for its electronic painting system. Avesco settled for £1.6m in February.

"We have tried very hard to build the company [Spaceward] without that product but it has proved impossible in the short and medium term," said Mr Murray.

Mr Murray estimated that Spaceward, which was bought for £388,000 plus deferred consideration of 937,194 Avesco shares in 1988 had cost the company £7m in litigation costs, damages and restructuring costs.

Europa Minerals sells Snyder stake

Europa Minerals has sold its entire holding of shares in Snyder Oil, a New York listed company, for \$4.43m (£2.63m) cash, net of expenses. The holding had a net book value of \$2.62m.

The proceeds will provide additional working capital for Europa's other operations.

Laporte expands in Canada

By Clare Pearson

LAPORTE, the speciality chemicals company, plans to build up its Canadian operations with the construction of a multi-purpose organics plant in Edmonton, Alberta, at a cost of about £10m.

This marks the first announcement by Laporte of how it intends to spend the £144m net proceeds of last month's one-for-four rights issue. At that time the company said it wanted to pursue "a wide range of opportunities for continued growth."

The new Edmonton plant is intended to manufacture DDI, a key ingredient in a new anti-Aids drug, among other chemicals for the pharmaceutical industry. It will form part of Terochem Laboratories, the organic intermediates concern which Laporte acquired in 1988.

Mr Ken Minton, chief executive, indicated last month that organic chemicals manufacturing was one of the activities of Laporte likely to benefit from the rights issue proceeds.

Better-than-expected gold sales lift Willoughby's

WILLOUGHBY'S Consolidated, the Zimbabwean mining and ranching subsidiary of Lonrho, reported a 14 per cent advance in the six months to end-March.

Profits before tax increased from £976,000 to £1.1m and came from turnover up £452,000 to £7.14m.

The directors said that receipts from gold sales in the period had exceeded expectations, in spite of lower production figures. This had been due to the firm Zimbabwe dollar gold price.

Ranching had got off to a good start, where the winter months had been entered with good supplies of water and grass.

At the year-end 3,311 cattle had been sold at an average price of Z\$710 per head compared with 2,044 at Z\$677 last time.

The removal of the export bonus had affected returns adversely. However, a statutory price increase of 10 per cent in the slaughter price announced in April would benefit sales in the latter half, they said.

The exploitation of the amethyst deposit in Zambia continued to progress and full-scale production would commence within the next few months.

The estimated tax charge is £142,000 (£175,000) leaving earnings at 9.4p (7.8p) and the board had declared an interim dividend of 1p (3p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Control Techniques, Midland Radio.
Finals- Acal, Albrighton (formerly G.F. Lovell), Alexon, Amersham International, Borthwicks, British Steel, Donelon Tyson, Elga, EMAP, F & C Smaller Companies, Ferguson Industrial, Hardy Oil & Gas, Lyons Irish, New London, Normans, Osborne & Little, Tinsley Robor, Waverley Mining Finance.

FUTURE DATES

Interims-

Airtours	June 27
Grainger Trust	June 22
Partridge Fine Arts	July 3

Finals-

Budgens	July 25
Bulmer (H.P.)	July 18
Chancery	June 18
Hanover Druce	June 15
Premier Cons Oilfields	June 20
Stoddard Sekers Intl	June 19
Waddington (John)	June 13

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

Cahill May Roberts (Section: Industrials).

F & C Germany Inv. Tst. (Ord. & Warrants) (Investment Trusts).

Stockbridge Limited (Mines - Australians).

Templeton Emerging Markets Inv. Tst. Warrants (Investment Trusts).

FINANCIAL TIMES STOCK INDICES

	June 8	June 7	June 6	June 5	June 4	June 1	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	78.76	78.70	78.61	79.19	79.18	78.67	84.20	74.13	127.4	49.18
Fixed Interest	87.55	87.41	87.56	87.74	87.68	87.45	92.91	83.80	105.4	50.53
Ordinary	1892.7	1904.0	1881.0	1893.9	1893.4	1882.4	1968.3	1653.6	2008.6	49.4
Gold Mines	185.1	187.9	202.9	198.6	202.4	212.2	378.5	185.1	734.7	43.5
FT-Act All Share	1166.01	1170.69	1161.07	1168.79	1168.99	1165.28	1226.83	1043.16	1238.57	61.92
FT-SE 100	2366.6	2378.4	2358.5	2380.1	2379.0	2371.4	2463.7	2103.4	2463.7	986.9

WORLD STOCK MARKETS

AUSTRIA

1990 High	Low	June 8	Price Sch
5,285	2,885	Austrian Airlines	4,770
7,300	4,982	Creditanstalt	5,890
29,590	19,700	Erste Allgemeine ..	22,300
19,600	14,400	Jungbunzlauer ...	14,850
1,435	660	Laenderbank	1,210
14,230	8,350	OeMV ..	10,450
2,380	1,680	Perlmooser	2,100
1,218	885	Radex	1,170
3,400	2,300	Reininghaus . ..	2,370
250	115	Steyr-Daimler .	221
1,510	980	Veitscher Mag ..	1,100
770	425	Verbund .	595
7,580	5,870	Wienerberger	6,180

BELGIUM/LUXEMBOURG

1990 High	Low	June 8	Price Frs.
5,700	3,900	Arbed	5,540
3,520	2,800	B.B.L	3,110
15,700	15,100	Bank Intl. a Lux .	15 550
15,000	14,650	Banque Gen. Du. Lux ..	14,700
37 000	32,000	Banque Nat Belg .	36,000
2,470	1,865	Barco	2,425
16 650	14,025	Bekaert B	15,025
9,440	6,930	Ciment CBR	9,440
6,140	5,000	Cobepa	5 750
6,030	4 950	Do AFV 1	5,800
214	170	Cockerill . ..	202
25,475	18,600	Colruyt	24,850
6,450	5,000	Delhaize	6,450
4 560	3,860	EBES	3,950
4,490	3,760	Do AFV 1	3,915
544	280	Fabrique Nat	288
1,408	1,194	GIB Group	1,390
1,398	1,072	Do AFV	1,382
4,640	3,870	GBL(Brux)L	4,010
4,630	3,815	Do AFV 1	4 000
952	746	Gechem	856
930	702	Do. AFV	798
5,900	4,400	Generale Bank .	5,210

FRANCE (continued)

1990 High	Low	June 8	Price Frs.
935	725	Beghin-Say	911
631	500	Do Certs	631
3,480	2,695	Bongrain	3 350
683	525	Bouygues ..	657
1,534	1,190	CGIP	1,340
235	163.3	CMB Packaging .	202.6
3,780	3,065	Carrefour	3,519
215	141	Casino	145.5
649	489	Cetelem . . .	595
1,376	1 037	Chargeurs	1,037
1 792	1,241	Ciments Fr.	1,782
788	631	Club Mediterranee	635
432	355	Cofimeg	367
480.5	352	Cogifi	480 5
640	517	CGE	614
629	343	Comptes	610
262.8	213.5	CCF	232.9
1,420	1,219	Cred Foncier Fr .	1,287
898	650	Cred Lyonn (CI)	846
1,591	1 183	Credit National .	1,520
4,330	3,150	Damart	3,150
5,770	3,751	Docks de France .	3,751
643	542	Dollfuss-Mieg ...	576
672	485	Dumez S.A. . .	600
2,750	2 015	Eaux (Cie Gen) ...	2,593
620	454	Ecco	556
1,083	880	Electrofin'ce	1,031
730	511	Elf-Aquitaine	670
521	406	Do Certs . .	503
1,400	1,161	Epeda-Bertrand	1,200
3,020	2 400	Essilor	2,594
2 515	1,760	Eternit (Fin) ...	2,195
2,690	2,070	Eurafrance ...	2,090
2,440	1,731	Eurocom	2,360
108 2	90	Euro Disneyland .	104.5
4,920	3 611	Euromarche	3,900
2,029	1,630	Europ	1,877
221	191 7	Finextel	202.5
1,076	815	Fonciere Lyonn	1,076
2,700	2,240	Fromageries ..	2,400
1,715	1 201	GTM-Entrepose	1,635

DENMARK

FINLAND

FRANCE

JAPAN

GERMANY (continued)

ITALY (continued)

NETHERLANDS

NORWAY

ITALY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

AUSTRALIA (continued)

HONG KONG

AUSTRALIA

MALAYSIA

SINGAPORE

CANADA

TORONTO

Closing prices June 8

MONTREAL

Closing prices June 8

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

TOKYO - Most Active Stocks

Friday June 8 1990

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	52.12	52.69	56.05	4.89	40000
Gilts & Fixed Int	6	103.5	103.5xd	109.7	10.00	40001
High Inc Equity	6	135.5	139.1	147.9	4.29	40002
Worldwide Bond	6	191.4	191.4xd	202.8	6.36	40003
Capital Growth						
American Growth	6	194.3	196.1	208.6	1.12	40004
Asian Pacific	6	141.9	144.9	154.1	0.00	40005
Assets & Earnings	6	157.6	157.6xd	168.5	2.88	40006
Capital Reserve Acc	0	92.48	92.48	92.67	7.70	40007
Capital Reserve Inc	0	77.73	77.73	77.89	7.70	47580
Commodity & Energy	6	94.53	94.63	101.1	0.00	40008
Dividend & Growth	6	48.45	49.55	52.71	4.27	47871
1992 Enterprise	6	62.96	64.29	68.29	1.96	46597
Euro Capital Acc	6	103.8	103.8	111.0	0.89	40009
Euro Capital Inc	6	99.62	99.62	106.5	0.89	47581
General	6	177.1	177.1	189.4	2.64	40010
International	6	61.53	62.29	66.26	0.79	46852
Japan	6	103.5	103.5	110.6	0.00	40011
Mastertrust	6	91.04	91.04	97.36	1.52	40012
UK Growth Acc	6	176.6	176.6	188.8	2.63	40013
UK Growth Dist	6	115.4	115.4	123.4	2.63	40014
US Emerging Cos	6	59.69	61.19	65.01	0.00	40015
Income & Growth	6	302.1	302.1xd	323.1	3.17	40016
Ethical	6	47.30	47.30xd	50.58	1.98	40017
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	33.21	33.29	35.54	2.21	40019

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Brown Shipley & Co Ltd – Contd.						
North American	6	65.92	65.92	70.20	0.38	40199
Orient §	6	121.7	122.7xd	131.2	–	40200
Recovery	6	45.05	45.05xd	47.99	3.80	40201
Smaller Cos Acc	6	240.6	240.6	256.3	–	40202
Smaller Cos Inc	6	147.3	147.3	156.9	1.28	40203
Bryconart Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	191.1	191.1	197.9	5.86	40204
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Grwth	5¼	60.43	60.43	64.06	5.14	40205
(Accum Units)	5¼	62.58	62.58	66.34	5.20	46368
Fellowship Tst	5¼	63.52	64.28	68.39	3.03	40206
(Accum Units)	5¼	66.41	67.21	71.50	2.50	40207
General Inc	5¼	295.7	295.7	313.4	3.99	40208
(Accum Units)	5¼	514.9	514.9	545.8	3.67	40209
Income	5¼	158.1	160.9	170.7	4.20	40210
(Accum Units)	5¼	321.0	326.5	346.4	4.48	40211
International	5¼	104.4	104.4	110.7	1.00	40212
(Accum Units)	5¼	144.4	144.4	153.1	1.00	40213
Smaller Co's	5¼	99.76	101.5	108.0	2.22	40214
(Accum Units)	5¼	110.6	112.5	119.7	2.22	40215
Inv Portfolio	3	56.03	56.03	57.99	3.13	46339
(Accum Units)	3	58.74	58.74	60.80	3.13	46858
High Income Port	3	46.87	47.76	49.49	6.59	46857
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1¼	56.40	56.40	57.25	6.93	40216
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5466						
CCF Sel High Inc Eqty	5¼	47.80	48.61	51.72	5.5	40096
CCF Sel Intl Grth	5¼	48.27	48.27	51.96	1.44	40095
CCF Sel Inv Tst	5¼	48.03	49.25	52.40	2.01	40097
CCF Sel UK Sm Co's	5¼	45.90	47.32	50.35	2.00	40098
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5½	55.84	56.99	60.63	2.86	40217
Global Tst	5½	47.24	47.76	50.81	0.35	40218
Recovery Tst	5½	47.83	49.03	52.16	1.92	40219

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Providence Capital Fd Mgrs Ltd – Contd.						
Japan Inc	5	103.0	103.0	110.3	0.00	41159
Nth American Acc	5	66.06	66.06	70.32	0.95	41158
Nth American Inc	5	63.31	63.31	67.39	0.95	41157
UK Equity Acc	5	87.48	87.48xd	93.88	3.58	41154
UK Equity Inc	5	77.74	77.74xd	83.42	3.58	41153
Worldwide Acc	5	117.7	117.7	125.7	0.81	41152
Worldwide Inc	5	112.7	112.7	120.4	0.81	41151
UK High Inc Eq Acc	5	80.43	80.43	86.99	7.28	41162
UK High Inc Eq Inc	5	69.70	69.70	75.38	7.28	41161
Hong Kong Acc	5	50.73	50.73	54.19	3.28	41164

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Scottish Amicable Ut Tst Mgrs Ltd (1200)H						
150 St Vincent St., Glasgow G2 5NQ 041 204 2200						
Equity Income	6	40.77	41.70	44.41	7.39	46658
Equity Tst(10–1)	6	45.19	46.18	49.18	4.43	46627
Equity Strategy	6	54.28	55.54	59.15	3.63	46679
European Opps	6	69.66	70.61	75.20	1.42	46678
UK Smaller Co's	6	44.23	46.26	49.27	2.84	46680
Maximum Income	2½	100.83	100.83	103.39	14.74	40281
Scottish Equitable Fd Mgrs Ltd (1000)H						
28 St Andrews Sq, Edinburgh 031-556 1051						

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

FT MANAGED FUNDS SERVICE

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Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Touche Remnant Unit Tst Mngt Ltd – Contd.						
TR Income Growth	5¼	89.35	89.35	95.05	4.21	41530
TR Income Monthly	5¼	52.59	52.59	55.94	7.23	41531
TR Japan Growth	5¼	87.12	87.12xd	92.48	0	41532
TR Overseas Growth	5¼	69.43	69.43xd	73.99	0	41533
TR Smaller Cos	5¼	77.19	77.19	82.11	2.37	41534
TR Special Ops	5¼	87.54	87.54	93.12	3.23	41535
TR Mgd Ex Plan Acc	5¼	36.36	36.36	38.68	2.56	41536
TR Mgd Ex Plan Inc	5¼	34.10	34.10	36.27	2.57	41537
TR Wwide Sp Sit Acc	5¼	40.16	40.16	42.88	0	41538
TR Wwide Sp Sit Inc	5¼	40.12	40.12	42.84	0	41539
TR Pension Portfolio						
TR American Grth ‡	6	29.79	30.19	32.00	0	46977
TR Eur Sp Sits ‡	6	36.41	36.78	38.98	0	46978
TR General Growth ‡	6	25.97	26.25	27.82	0	46979
TR Global Tech ‡	6	30.67	31.08	32.94	0	46980
TR Income Growth ‡	6	26.01	26.28	27.86	0	46981
TR Japan Growth ‡	6	27.22	27.46	29.10	0	46982
TR Mgd Equity ‡	6	27.84	28.14	29.82	0	46983
TR Overseas Growth ‡	6	29.78	30.15	31.96	0	46984
TR Smaller Cos ‡	6	18.25	18.44	19.55	0	46985
TR Special Ops ‡	6	18.01	18.20	19.29	0	46987
TR Stlg Liquidity ‡	6	26.27	26.73	27.84	0	46986
TR Wwide Sp Sits ‡	6	32.65	33.11	35.10	0	46988
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						
TUUT	5	254.0	259.2	272.8	3.17	41540
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¼	171.2	173.8	184.9	3.30	41541
Tyndall Unit Tst Mngrs Ltd (1600)F						
25 Bucklesbury, London EC4N 0800 373574						
Asteral Value	5¼	40.97	40.97	43.44	–	41580
British Lion	5	89.24	89.24	94.61	4.01	41548
Accum Units	5	94.30	94.30	99.97	4.01	41549
Capital Defender	5	38.23	38.23	40.53	12.75	41542
Accum Units	5	43.66	43.66	46.29	12.75	41543
1992 Eurogrowth Acc.	5¼	78.63	78.63	83.35	1.04	46673
Income	5	78.63	78.63	83.36	8.02	41544
Accum Units	5	90.52	90.52	95.96	8.02	41545
Smaller Co's	5	71.46	71.46	75.76	3.54	41546
Accum Units	5	74.60	74.60	79.08	3.54	41547
Tiger Accum H	5¼	76.51	76.51	81.11	1.83	46674
UK Unit Trust Managers Ltd (0905)F						
Worthing Road, Horsham, RH12 1SL 0403 40033						
British Growth	5¼	63.91	65.53	69.71	2.14	41561
Technical Analysis	5¼	64.02	64.69	68.81	1.29	41562
UTAM Ltd (1300)F						
2 White Hart Yard, London Bridge, SE1 071-407 5966						
Advisors: Henderson Crosthwaite Ltd						
Friars Hse Cap	5¼	208.9	208.9	228.3	2.74	41553
Friars Hse Inc	5¼	168.7	168.7	185.9	4.48	41554

	Bid Price	Offer Price	Yield Gross	City-line
Abbey Life Assurance Co Ltd – Contd.				
High Inc. Ser. 4	475.4	500.5	–	41618
Money Ser. 4	250.0	263.2	–	41621
Intl Ser. 4	115.7	121.8	–	47021
Custodian Ser. 4	105.2	110.8	–	47022
Pension Funds				
Property	648.0	682.2	–	41623
Equity	1172.8	1234.6	–	41624
Selective	384.4	404.7	–	41625
Managed	865.1	910.7	–	41626
Security	494.1	520.2	–	41627
Fixed Int.	259.2	272.9	–	41628
Indexed	159.1	167.5	–	41632
American	281.1	295.9	–	41630
Japan	327.3	344.6	–	41631
European	189.3	199.3	–	41629
High Income	132.0	139.0	–	46175
Ethical	121.9	128.4	–	46174
International	214.2	225.5	–	41633
Acorna Life Assurance Ltd				
The Glanty, Egham, Surrey TW2 9AT 0784 475333				
Managed	175.4	184.6	–	42158
World Growth	148.8	156.6	–	42159
UK Equity	203.8	214.5	–	42160
UK Small Companies	173.6	182.7	–	42161
European	154.5	162.6	–	42162
Far Eastern	312.7	329.1	–	42163
Nth American	116.9	123.0	–	42164
Fixed Interest	126.3	132.9	–	42165
Index Linked Stks	143.0	150.5	–	42166
Money	128.3	135.0	–	42167
Pen Managed	223.9	235.7	–	42168
Pen World Growth	163.9	172.5	–	42169
Pen UK Equity	290.6	305.8	–	42170
Pen UK Small Cos	219.8	231.3	–	42171
Pen European	152.8	160.8	–	42172
Pen Far Eastern	465.3	489.7	–	42173
Pen Nth American	118.6	124.8	–	42174
Pen Fixed Interest	153.3	161.3	–	42175
Pen Index Lnkd Stks	153.1	161.1	–	42176
Pen Money	148.4	156.1	–	42177
AEtna Life Insurance Co Ltd				
2-12 Pentonville Rd, London N1 9XD 0800 010575				
Life Funds (Accumulator Units)				
Squirrel	13.77	14.50	–	41636
Bear	13.86	14.59	–	41637
Owl	16.74	17.63	–	41638
Bull	15.18	15.98	–	41639
Stag	15.49	16.31	–	41640
Gilt-Edged		12.01	–	41641
Deposit		12.36	–	41642
North American	10.48	11.04	–	41643
European	11.90	12.53	–	41644

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
Norwich Union Life Insurance Soc.—Contd.				
Pensionsaver* & Unit-Linked Plan*				
Mixed Fund	404.9	426.2	–	43233
Ordinary Share Fund	597.3	628.7	–	43229
International Fund	171.7	180.7	–	43230
Property Fund	262.5	276.3	–	43231
Fixed Interest Fund	294.4	309.9	–	43227
Index-Linked Sec Fund	171.7	180.7	–	43228
Deposit Fund	225.8	237.7	–	43232
Norwich Units May 15		938.37	–	43234
*Prices as at June 5				
Jersey Investment Plus				
With Profits Fund	98.79	103.99	–	40525
Intl Equity Fund	96.47	101.55	–	40438
Intl Bond Fund	97.86	103.01	–	40349
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA				0733 63212
Prop Dist. (Gross)	170.4	179.4	–	43235
Prop. Acc. (Gross)	291.5	306.9	–	43236
Equity (Gross)	818.8	861.9	–	43237
Managed (Gross)	570.6	600.7	–	43238
Prop Acc. (Net)	135.4	142.6	–	43239
Equity (Net)	188.6	198.6	–	43240
Managed (Net)	173.8	183.0	–	43241
International (Net)	168.5	177.4	–	43242
Gilt & Fxd Interest	104.2	109.7	–	43243
Money Fund	116.0	122.1	–	43244
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	573.7	603.9	–	43245
Ret Man (Series 2)	194.5	204.8	–	43246
Ret Man (Series 3)	129.7	129.7	–	46462
Ret Cash	155.1	163.3	–	43247
Ret Cash (Series 3)	128.7	128.7	–	46463
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ				0272 290271
Life Funds				
Managed Aggressive	106.0	111.7	–	–
Managed Balanced	98.8	104.0	–	–
Managed Cautious	94.1	99.1	–	–

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH				071-405 9222
Prufund				
Managed June 6	250.1	260.6	–	[illegible]
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB				071-439 3134
Holborn Series I Life Funds				
Managed	566.3	596.2	–	[illegible]
Equity	1154.5	1215.3	–	[illegible]
Fixed Interest	375.6	395.4	–	[illegible]
Property	435.1	458.1	–	[illegible]
Cash	285.9	301.0	–	[illegible]
International	405.0	426.4	–	[illegible]
Holborn Series II Life Funds				
Managed	553.8	583.0	–	[illegible]
Equity	1126.0	1185.3	–	[illegible]
International	396.2	417.1	–	[illegible]
Fixed Intl	364.9	384.2	–	[illegible]
Property	423.1	445.4	–	[illegible]
Cash	278.3	293.0	–	[illegible]
Pacific Basin	212.6	223.8	–	[illegible]
North American	159.2	167.6	–	[illegible]
European	191.6	201.7	–	[illegible]
Holborn Balanced Gwth	115.3	121.4	–	[illegible]
Holborn Strategic Gwth	115.5	121.6	–	[illegible]
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB				071-439 3134
Managed	590.7	621.8	–	[illegible]
Equity	855.0	900.1	–	[illegible]
Global Equity	252.7	266.1	–	[illegible]
Fixed Interest	402.5	423.7	–	[illegible]
Property	434.0	456.9	–	[illegible]
Cash	178.6	188.0	–	[illegible]
Index Linked Gilt	207.1	218.1	–	[illegible]
Guaranteed	14.25		–	[illegible]
International Money	213.7	225.0	–	[illegible]
North American	77.5	81.6	–	[illegible]
Japanese	129.6	136.5	–	[illegible]
European	114.0	120.1	–	[illegible]
Special Situations	119.1	125.4	–	[illegible]

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

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Stonehage Fund Mngrs Ltd

Stronghold Asset Mngmt (Guernsey) Ltd

The Thai-Euro Fund Ltd

Tyndall International (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Wellington Fd Mngrs (Guernsey) Ltd

Yamaichi Capital Mangmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIG Fund Management Ltd "MI Trusts"

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Allied Irish Fund Managers (CI) Ltd

Allied Irish Fund Managers—Contd.

Barclays Intl Funds

Brown Shipley Fund Mngmt (CI) Ltd

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Royal Trust Asssetmix Fund—Contd.

Sanpaolo Group (Luxembourg)

Schroder International Selection Fund

LUXEMBOURG (REGULATED)(**)

Merrill Lynch Asset Management-Contd.

MIM Britannia International Ltd

Morgan Stanley Sicav

NM Income & Gwth Fd

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Drexel Burnham Lambert—Contd.

Dreyfus Intercontinental Inv. Fd.

Eiders (Switzerland) Invest. Mngt. SA

Emerging Markets Management

McDonnell & Co—Contd.

Magnum Fund Mngmt (Bermuda) Ltd

Malacca Fund (Cayman) Limited

Malaysia Capital Fund Ltd

Malaysia Growth Fund

Malaysia Select Fund Ltd

Malaysian Smaller Co's Fd (Cayman) Ltd

Union-Investment-Gesellschaft GmbH

Warburg Inv Mngmt (Isle of Man) Ltd

Wardley Investment Services Ltd

Wells Fargo U.S. IT Fund

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Cold comfort from the dollar and gold

VIOLENT demonstrations and ethnic unrest threaten the stability of the the Soviet Union, while clashes in Kashmir carry a risk of war between India and Pakistan. There are also doubts and uncertainties about aspects of German unification.

UK clearing bank base lending rate 15 per cent from October 5

At times like these the financial markets look for security, usually in the form of increased investment in gold and in the world's dominant currency, the US dollar. But this time around there would seem to be a break to the pattern; over the last month *gold has fallen by some $20* and the dollar's exchange rate index has lost about 1 point.

The reasons are not hard to discover, but finding a suitable alternative medium for *investment during a period of* international tension may be causing a few headaches.

Gold, which should be underpinned by instability in the Soviet Union, is weak *because as one of the two* major gold producers, Russia - in its present economic plight - appears to have little alternative but to sell large quantities of gold to pay for essential imports.

The dollar has attractions from a political point of view, but not necessarily on economic fundamentals right now. A sluggish US economy means the Federal Reserve is more likely to cut than to raise interest rates, offsetting some at least of the benefit the dollar might gain from world unrest.

The D-Mark is not an attractive alternative, and the yen, *while looking* relatively safe, is hampered by low Japanese interest rates. This leaves politically stable high yielding currencies, and is one of the reasons why sterling *remains well supported.*

£ IN NEW YORK

June 8	Close	Previous Close
£ Spot	1.6840-1.6850	1.6880-1.6900
1 month	0.91-0.90pm	0.92-0.91pm
3 months	2.74-2.72pm	2.74-2.72pm
12 months	9.30-9.20pm	9.24-9.17pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 8	Previous
8.30 am	89.6	89.3
9.00 am	89.6	89.3
10.00 am	89.6	89.4
11.00 am	89.6	89.4
Noon	89.5	89.5
1.00 pm	89.5	89.5
2.00 pm	89.5	89.5
3.00 pm	89.4	89.5
4.00 pm	89.5	89.5

CURRENCY RATES

June 8	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.777425	0.719758
U.S Dollar	7	1.31136	1.21315
Canadian $	13.32	1.53141	1.42485
Austrian Sch	6½	15.6275	14.4620
Belgian Franc	10¼	45.7042	42.2783
Danish Krone	10½	8.46417	7.83029
Deutsche Mark	6.00	2.22131	2.05569
Neth. Guilder	7.00	2.50076	2.31263
French Franc	10¼	7.48590	6.92528
Italian Lira	13½	1633.46	1511.22
Japanese Yen	5¼	199.982	185.940
Norway Krone	8	8.53958	7.89337
Spanish Peseta	-	137.575	127.308
Swedish Krona	11	8.01831	7.42328
Swiss Franc	6.00	1.88574	1.75604
Greek Drach.	20½	N/A	201.250
Irish Punt	-	N/A	0.766847

† European Commission Calculations.
* All SDR rates are for June 7

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Jun	94-08	94-17	94-02	94-10
Sep	94-00	94-09	93-26	94-02
Dec	93-23	94-00	93-18	93-25
Mar	93-16	93-22	93-14	93-18
Jun	93-10	93-15	93-09	93-11
Sep	93-04	93-08	93-02	93-04
Dec	92-30	93-02	92-28	92-30
Mar	92-24	-	-	92-24

CURRENCY MOVEMENTS

June 8	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.5	-22.2
U.S Dollar	67.9	-10.6
Canadian Dollar	103.8	+1.3
Austrian Schilling	109.4	+11.5
Belgian Franc	111.2	-2.3
Danish Krone	110.1	+4.5
Deutsche Mark	118.0	+23.9
Swiss Franc	112.8	+21.8
Guilder	114.2	+15.9
French Franc	103.9	-12.6
Lira	100.8	-18.5
Yen	121.6	+50.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for June 7.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6845	1.6754	1.6573	1.6326	1.5925

IMM-STERLING $s per £

	Close	High	Low	Prev.
Jun	1.6816	1.6836	1.6770	1.6868
Sep	1.6550	1.6570	1.6500	1.6600
Dec	1.6300	1.6310	1.6290	1.6348

OTHER CURRENCIES

June 8	£	$
Argentina	8412.00 - 8448.15	5000.00 - 5020.00
Australia	2.1780 - 2.1800	1.2940 - 1.2950
Brazil	92.1955 - 93.2325	54.8000 - 55.4000
Finland	6.6825 - 6.7035	3.9775 - 3.9805
Greece	277.35 - 281.85	164.40 - 167.10
Hong Kong	13.0765 - 13.0895	7.7805 - 7.7825
Iran	118.20*	69.90*
Korea(Sth)	1196.45 - 1215.75	711.50 - 717.10
Kuwait	0.49190 - 0.49300	0.29180 - 0.29280
Luxembourg	58.75 - 58.85	34.85 - 34.95
Malaysia	4.5460 - 4.5575	2.7060 - 2.7080
Mexico	4784.75 - 4787.85	2844.00 - 2854.00
N. Zealand	2.8930 - 2.8975	1.7230 - 1.7240
Saudi Ar.	6.3195 - 6.3250	3.7500 - 3.7510
Singapore	3.1085 - 3.1155	1.8475 - 1.8495
S. Af (Cm)	4.4790 - 4.4900	2.6655 - 2.6670
S. Af (Fn)	6.5900 - 6.7220	3.9215 - 4.0000
Taiwan	46.05 - 46.15	27.40 - 27.45
U.A.E.	6.1890 - 6.1960	3.6720 - 3.6730

*Selling rate

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Jun	0.6519	0.6528	0.6515	0.6558
Sep	0.6534	0.6543	0.6530	0.6574
Dec	0.6549	0.6553	0.6553	0.6590

DEUTSCHE MARK (IMM) DM125,000 $ per DM

THREE-MONTH EURODOLLAR (IMM)

STANDARD & POORS 500 INDEX

U.S. TREASURY BILLS (IMM)

SWISS FRANC (IMM)

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.550	12.90	12.90	12.90	13.10	-	-	0.06	0.33
1.575	10.40	10.40	10.40	10.60	-	-	0.21	0.76
1.600	8.00	8.00	8.00	8.10	-	0.02	0.51	1.11
1.625	5.50	5.50	5.50	5.73	-	0.27	1.04	1.98
1.650	3.00	3.24	3.54	3.88	-	0.83	1.84	2.92
1.675	1.10	1.66	2.05	2.51	0.48	1.86	2.98	4.30
1.700	0.15	0.70	1.19	1.65	2.11	3.44	4.62	5.95

Previous day's open int: Calls 390,044 Puts 387,745 (All currencies)
Previous day's volume: Calls 8,089 Puts 12,957 (All currencies)

POUND SPOT- FORWARD AGAINST THE POUND

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6785 - 1.6895	1.6840 - 1.6850	0.92-0.90cpm	6.48	2.74-2.71pm	6.47
Canada	1.9715 - 1.9820	1.9735 - 1.9745	0.22-0.14cpm	1.09	0.70-0.58pm	1.30
Netherlands	3.20¼ - 3.22	3.21 - 3.22	1¾-1⅝cpm	6.30	5¼-5pm	6.38
Belgium	58.50 - 58.90	58.75 - 58.85	31-19cpm	5.10	84-66pm	5.10
Denmark	10.84¾ - 10.89½	10.88½ - 10.89½	3⅞-3⅛orepm	3.93	11½-10¼pm	4.09
Ireland	1.0625 - 1.0675	1.0645 - 1.0655	0.45-0.40ppm	4.79	1.20-1.10pm	4.32
W. Germany	2.84¾ - 2.86	2.85½ - 2.86	1½-1½pfpm	6.56	4¾-4⅝pm	6.56
Portugal	249.50 - 251.45	250.00 - 251.00	19-parpm	0.46	36-65dis	-0.81
Spain	176.20 - 177.65	176.80 - 177.10	8-1cpm	0.31	25-12pm	0.42
Italy	2094¼ - 2103½	2101¾ - 2102¾	7-5lirepm	3.42	20-17pm	3.52
Norway	10.93 - 10.99	10.97¾ - 10.98¾	3⅛-3orepm	3.48	9¾-9⅛pm	3.44
France	9.59¼ - 9.64¾	9.62¼ - 9.63¼	4¼-3⅞cpm	4.99	11¾-11⅛pm	4.80
Sweden	10.28¾ - 10.34¼	10.32 - 10.33	2⅛-2¼orepm	2.69	6¼-5⅜pm	2.32
Japan	257¾ - 259	258 - 259	1⅝-1½ypm	7.25	6¼-5⅜pm	9.28
Austria	20.04 - 20.13	20.08 - 20.11	11¾-9⅞gropm	6.31	33-30½pm	6.32
Switzerland	2.43¾ - 2.44½	2.43½ - 2.44½	1¼-1cpm	5.53	3⅝-3½pm	5.84
ECU	1.3800 - 1.3850	1.3800 - 1.3810	0.54-0.51cpm	4.56	1.58-1.55pm	4.51

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.22-5.17cpm 12 month 9.25-9.15cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6785 - 1.6895	1.6840 - 1.6850	0.92-0.90cpm	6.48	2.74-2.71pm	6.47
Ireland†	1.5785 - 1.5835	1.5810 - 1.5820	0.33-0.28cpm	2.31	1.00-0.90pm	2.40
Canada	1.1700 - 1.1760	1.1740 - 1.1750	0.51-0.54cdis	-5.36	1.52-1.57dis	-5.25
Netherlands	1.9030 - 1.9130	1.9085 - 1.9095	0.01-0.03cdis	-0.11	0.04-0.06dis	-0.10
Belgium	34.75 - 34.95	34.85 - 34.95	1.00-7.00cdis	-1.38	7.00-17.00dis	-1.38
Denmark	6.44½ - 6.46¼	6.46¼ - 6.46¾	1.20-1.50oredis	-2.51	3.50-4.40dis	-2.45
W. Germany	1.6915 - 1.7005	1.6965 - 1.6975	0.04-0.02pfpm	0.21	0.05-0.02pm	0.08
Portugal	148.60 - 148.85	148.75 - 148.85	70-80cdis	-6.05	267-282dis	-7.39
Spain	104.80 - 105.30	105.05 - 105.15	53-57cdis	-6.29	157-165dis	-6.13
Italy	1243¼ - 1250¼	1247¾ - 1248¾	2.80-3.40liredis	-2.99	9.00-10.00dis	-3.05
Norway	6.50 - 6.51½	6.51½ - 6.52	1.45-1.80oredis	-3.00	4.65-5.25dis	-3.04
France	5.70 - 5.72¾	5.71¼ - 5.71¾	0.66-0.71cdis	-1.44	2.30-2.40dis	-1.65
Sweden	6.11¼ - 6.13¼	6.12¾ - 6.13¼	2.05-2.20oredis	-4.17	6.35-6.90dis	-4.33
Japan	152.55 - 153.50	153.40 - 153.50	0.13-0.11ypm	0.94	0.40-0.37pm	1.00
Austria	11.90½ - 11.93½	11.93½ - 11.94	0.10pm-0.30gdis	-0.10	0.10-1.20dis	-0.22
Switzerland	1.4405 - 1.4525	1.4475 - 1.4485	0.08-0.11cdis	-0.79	0.21-0.26dis	0.65
ECU	1.2100 - 1.2165	1.2120 - 1.2130	0.19-0.18cpm	1.83	0.62-0.59pm	2.00

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EXCHANGE CROSS RATES

June 8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.685	2.858	258.5	9.628	2.440	3.215	2102	1.974	58.80
$	0.593	1	1.696	153.4	5.714	1.448	1.908	1247	1.172	34.90
DM	0.350	0.590	1	90.45	3.369	0.854	1.125	735.5	0.691	20.57
YEN	3.868	6.518	11.06	1000	37.25	9.439	12.44	8132	7.636	227.5
F Fr.	1.039	1.750	2.968	268.5	10	2.534	3.339	2183	2.050	61.07
S Fr.	0.410	0.691	1.171	105.9	3.946	1	1.318	861.5	0.809	24.10
H Fl.	0.311	0.524	0.889	80.40	2.995	0.759	1	653.8	0.614	18.29
Lira	0.476	0.802	1.360	123.0	4.580	1.161	1.529	1000	0.939	27.97
C $	0.507	0.854	1.448	131.0	4.877	1.236	1.629	1065	1	29.79
B Fr.	1.701	2.866	4.861	439.6	16.37	4.150	5.468	3575	3.357	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Jun 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	15-14⅞	15-14⅝	15⅛-15⅛	15⅛-15	14⅞-14⅞
US Dollar	8¼-8⅛	8¼-8¼	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼

Long term Eurodollars: two years 8⅝-8⅝ per cent; three years 9-8⅞ per cent; four years 9¼-9 per cent; five years 9¼-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 8) 3 months US dollars bid 8⅜ offer 8½ — 6 months US Dollars bid 8⅜ offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm) — Treasury Bills and Bonds

LONDON MONEY RATES

Treasury Bills (sell), one-month 14⅝ per cent, three months 14½ per cent; Bank Bills (sell): one-month 14⅝ per cent; three months 14⅝ per cent; Treasury Bills: Average tender rate of discount 14.4428 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1990. Agreed rates for period June 26 1990 to July 24 1990, Scheme I, 15.91 p.c., Schemes II & III: 16.44 p.c. Reference rate for period May 1 1990 to May 31, 1990, Scheme IV&V: 15.201 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from June 1 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent. Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY JUNE 8 1990: US Dollar Index	% chg ($) since 29/12/89	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/89	Gross Div Yield	THURSDAY JUNE 7 1990: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1990 High	1990 Low	Year ago (approx)
Australia (80)	137.69	-9.0	121.19	133.56	121.49	118.55	-7.0	5.88	139.03	122.04	134.06	122.23	119.01	158.31	125.85	130.89
Austria (19)	245.19	+34.6	215.81	237.84	216.33	216.13	+35.1	1.25	246.02	215.96	237.24	216.29	216.23	285.63	193.15	119.68
Belgium (61)	152.06	-1.7	133.83	147.48	134.15	130.87	-3.6	4.41	152.14	133.55	146.72	133.75	130.57	160.02	132.11	127.08
Canada (119)	137.91	-9.4	121.38	133.77	121.67	117.29	-8.1	3.48	139.88	122.79	134.88	122.97	118.26	153.61	130.37	141.70
Denmark (33)	253.53	+4.7	223.14	245.92	223.68	222.92	+2.8	1.29	254.49	223.39	245.41	223.73	223.08	260.82	236.69	181.72
Finland (26)	136.61	+2.5	120.24	132.52	120.53	114.08	+0.9	2.40	138.05	121.18	133.13	121.37	114.36	152.29	129.99	142.39
France (125)	157.98	+1.2	139.04	153.23	139.37	141.62	+0.0	2.90	160.32	140.73	154.59	140.94	143.35	168.85	141.69	118.34
West Germany (93)	*127.77*	*+3.3*	*112.45*	*123.95*	*112.72*	*112.72*	*+3.6*	*1.98*	*129.57*	*113.73*	*124.95*	*113.91*	*113.91*	*137.71*	*122.05*	*84.69*
Hong Kong (48)	131.33	+12.1	115.59	127.39	115.86	131.21	+11.8	4.78	130.11	114.21	125.46	114.39	129.92	131.33	112.24	94.09
Ireland (17)	187.08	+3.1	164.66	181.47	165.05	166.68	+1.2	2.63	187.54	164.53	180.65	164.66	166.78	198.57	172.72	133.94
Italy (96)	106.76	+8.5	93.96	103.55	94.18	99.50	+6.7	2.38	107.07	93.99	103.24	94.13	99.47	107.10	91.85	78.97
Japan (454)	151.58	-23.2	133.41	147.03	133.75	147.03	-18.1	0.57	153.76	134.97	148.26	135.19	148.26	197.26	124.40	172.72
Malaysia (35)	234.69	+2.5	206.56	227.63	207.05	244.68	+2.8	2.21	234.35	205.71	225.97	206.02	244.10	245.32	204.15	174.86
Mexico (13)	540.17	+66.0	475.43	523.96	476.58	1682.61	+75.8	0.31	537.61	471.91	518.42	472.64	1672.28	549.86	324.53	228.24
Netherland (43)	139.08	-3.3	122.41	134.91	122.71	121.18	-3.4	4.65	140.19	123.06	135.18	123.25	121.73	145.66	130.43	115.48
New Zealand (17)	64.14	-11.0	56.45	62.22	56.59	58.70	-8.9	7.51	64.58	56.69	62.27	55.77	56.86	75.36	59.57	64.23
Norway (23)	237.38	+18.8	208.93	230.26	209.44	209.99	+17.4	1.46	239.10	209.88	230.56	210.20	210.94	245.90	202.34	170.39
Singapore (25)	207.93	+17.3	183.01	201.69	183.46	177.13	+14.2	1.91	206.26	181.05	198.89	181.33	175.65	207.93	179.70	153.19
South Africa (60)	183.26	-6.8	161.30	177.76	161.68	158.65	+4.3	3.79	185.75	163.05	179.11	163.30	160.80	251.39	173.80	138.86
Spain (42)	158.80	-2.6	139.77	154.04	140.10	126.44	-6.5	4.20	159.55	140.05	153.35	140.25	126.85	165.19	132.84	145.48
Sweden (35)	215.54	+12.2	189.71	209.07	190.17	195.60	+11.1	2.06	214.68	188.45	207.02	188.74	194.42	217.57	173.89	157.69
Switzerland (66)	101.86	+8.3	89.65	98.80	89.88	91.44	+1.7	2.26	102.50	89.97	98.84	90.12	91.41	104.31	88.75	75.38
United Kingdom (305)	*161.34*	*+1.7*	*142.00*	*156.49*	*142.33*	*142.00*	*-2.7*	*4.75*	*162.45*	*142.60*	*156.64*	*142.81*	*142.60*	*164.31*	*139.87*	*138.12*
USA (537)	145.13	+1.5	127.73	140.78	128.05	145.13	+1.5	3.34	146.85	128.91	141.62	129.11	146.85	148.55	130.61	133.28
Europe (984)	146.05	+2.6	128.54	141.66	128.86	128.33	+0.0	3.54	147.26	129.26	142.00	129.47	129.00	147.76	135.57	115.00
Nordic (117)	204.60	+9.2	180.07	198.46	180.51	175.44	+7.7	1.71	204.80	179.78	197.49	180.05	175.16	206.93	185.01	152.56
Pacific Basin (659)	150.29	-22.0	132.27	145.78	132.59	145.16	-17.0	0.89	152.31	133.69	146.87	133.90	146.27	192.75	124.63	168.18
Euro - Pacific (1643)	148.96	-13.7	131.11	144.48	131.41	138.84	-11.2	1.95	150.66	132.25	145.27	132.44	139.76	174.18	130.35	146.97
North America (656)	144.59	+0.8	127.26	140.27	127.59	143.29	+0.9	3.35	146.33	128.45	141.12	128.67	144.96	147.87	131.02	133.69
Europe Ex. UK (679)	*135.31*	*+3.2*	*119.10*	*131.28*	*119.41*	*119.80*	*+1.9*	*2.75*	*136.56*	*119.87*	*131.71*	*120.09*	*120.50*	*139.50*	*124.81*	*100.40*
Pacific Ex. Japan (205)	134.10	-0.6	118.03	130.09	118.32	120.51	+0.5	5.08	134.28	117.97	129.52	115.06	120.27	139.32	122.53	113.89
World Ex. US (1835)	149.15	-13.4	131.27	144.69	131.60	138.70	-10.8	2.01	150.86	132.43	145.49	132.54	139.64	173.77	131.30	146.76
World Ex. UK (2067)	145.16	-9.8	127.76	140.81	128.08	140.59	-7.4	2.22	146.92	128.95	141.68	129.18	141.85	162.00	130.80	141.27
World Ex. So. Af. (2312)	146.36	-8.8	128.82	141.98	129.14	140.56	-7.1	2.46	148.06	129.96	142.78	130.18	141.75	161.84	131.95	140.99
World Ex. Japan (1918)	145.45	+1.4	128.02	141.10	128.35	137.64	+0.6	3.49	146.93	128.97	141.69	129.19	138.62	147.88	134.62	126.04
The World Index (2372)	146.58	-8.8	129.02	142.19	129.34	140.68	-7.0	2.47	148.29	130.17	143.00	130.37	141.88	162.05	132.25	140.97

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes: Addition: Wiggins Teape Appleton (UK)(4/6/90). Deletions: C-C Bottlers (Australia) and Brit & Commonwealth (UK)(5/6/90). Name Change: Amca Intl. to Utd. Dominion Inds. (US)(5/6/90).

CROSSWORD

No.7,260 Set by PROTEUS

ACROSS

1 Provide returning footballers with car (6)
4 They may be sweet yet not add up to much (8)
10 Main role not going to the brave (5,4)
11 Prepare for office of stable-boy (5)
12 Short letter about school (4)
13 Initiative needed for business undertaking (10)
15 Marsupial featuring in work about short dictator (7)
16 Thinly scattered press coverage for article (6)
19 Goes round in feminine garb (6)
21 The stuff of bombast (7)
23 Servants who wait on workers (10)
25 Cancel party at Genevan HQ? (4)
27 Best point about athlete (5)
28 He will lay odds order goes to manufacturer (9)
29 Waste journalist left (8)
30 Price burden (6)

DOWN

1 Bird, through stress, getting nothing right (8)
2 Pirate with hair on arm (9)
3 Bird sounding crude (4)
5 Openings requiring unfashionable permits (7)
6 Extremely nice things said about Anglo-Catholic hymns (4,6)
7 She brings up one complaint (5)
8 Adder seen in hot weather (6)
9 Show for lawyers and miners? (6)
14 No more star trouble for him (10)
17 Turn drum to make sail (9)
18 Where golfer might be engaged in study? (2,6)
20 Shuffle along on quiet walk (7)
21 Measure penetration of mind (6)
22 Managed to get detectives rank (6)
24 Hardy girl holding king in lock (5)
26 Nurse may have one about meat (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 23.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2 080	ANZ SA1	213xd	-3.0	9.3	8.6	Feb July	1698
2,672.4	Abbey National 10p	204	-0.5	3.7	12.3	Apr Oct	5411
1,354.7	Allied Irish Ord	235xd	0.9	4.0	29.5	Dec July	1354
1,175.0	Algemene Fl.10	£11¼	-0.5	7.8	3.5	Aug May	1567
29.1	Anglo Irish	73	-2.7	6.0	30.4	Jan Jul	1355
143.7	Ansbacher (H.) 1p	77	2.7	4.3	12.3	April	1624
1,019.8	Bancaire Cie Fr100	£59½	-8.4	2.3	9.5	May Mar	2202
4,609.4	Banco Bilbao Viz	£19	....	4.4	9.12	Dec June	-
3,045.0	Banco de Santander	£27	-0.3	4.1	31.10	Apr Oct	-
858.2	Bank Ireland Ir£1	257xd	1.2	5.3	29.5	July Dec	1360
134.4	Bank Leumi	£19½	....	-	-	-	1740
24.3	Bank Leumi (U.K.)	345	....	5.2	26.2	Mar Sep	1740
697.4	Bank Scotland	119	-0.8	5.1	30.4	Nov Jul	1742
93.5	Do. 9¼pc Irrd Pf	93½	0.5	13.2	30.4	May Nov	1462
14.7	Bank of Wales	46	9.5	8.1	30.4	Nov Jun	1743
6,228.0	Barclays £1	480xd	-1.2	6.5	12.3	Oct May	1754
6.44	Benchmark 20p	12	....	18.1	9.4	May Oct	1802
51.0	Brown Shipley £1	329	....	5.1	27.11	Jan Aug	1983
78.0	Cater Allen £1	431	1.5	7.6	27.11	Jan. July	2081
26.6	Chartcary	131	-0.8	8.1	27.11	Jan July	2102
4,346.6	Commerzbk DM10	£19¼	-3.3	3.4	27.5	May	1046
53,111.4	Dai Ichi KBk Y50	896	-4.4	0.4	4.7	June	3221
8,589.5	Deutsche Bk DM50	£268¾	-3.1	1.9	17.5	May	2345
209.9	Espirito Santo	£19⅝	....	2.3	-	June	5187
348.3	First Nat. Fin. 10p	216	-2.3	8.0	15.1	Mar Aug	2571
53.3	FNFC 6.3pc Cv. Pf	110	-0.9	7.6	27.12	July	2570
[illegible]	Fuji Bank Y50	£18¼	-2.3	0.3	4.7	Dec June	1084
106.3	Gerrard & National	279xd	-0.4	9.1	29.5	June Dec.	2686
82.9	Guinness Mahon 10p	128	-4.5	2.2	14.5	Jul Feb	5074
434.5	Hambros 20p	268	1.5	5.0	11.12	Jan Sep	2812
162.0	Do. 7.5pc Cv Pf	188	0.9	9.3	12.3	Apr Oct	4388
2,815.4	HK & Shang. HK$2.50	44	-1.1	6.5	14.9	May Sep	-
24.0	Joseph (Leo) £1	498	....	4.6	11.12	Jan Sept	3060
23.1	King & Shaxson 20p	146	....	9.4	14.5	Dec June	3088

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES — Contd

Components

Market Cap. £m	Stock		Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.06	Abbey Panels		453	....	1.0	15.1	Sept. Feb	1501
18.4	Airflow Streamlines	γ	215xd	0.9	3.7	29.5	Jan July	1538
20.3	Bostrom 5p	γ	177	....	4.3	9.4	May Nov	1438
598.6	Dowty 50p	β	244	4.7	4.4	27.12	Mar Oct	2371
113.9	FR Group	β	154	....	5.5	14.5	Dec. July	2627
130.3	Kwik-Fit Hldgs. 10p	β	81	−4.7	4.0	30.4	Nov Jun	3113
1,152.9	Lucas Inds. £1	α	674	3.2	4.9	9.4	Jun Jan	3232
2.12	♦Spice 5p	γ	8	−15.8	‡	4.7	August	4075

Garages and Distributors

Market Cap. £m	Stock		Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.82	Alexanders 10p	γ	25	−3.8	5.3	15.1	–	1562
53.3	Appleyard 10p	β	114	0.9	9.1	12.3	Oct Apr	1629
2.53	♦Bletchley Motor 20p	γ	85	....	11.8	14.5	Oct Jun	1427
16.5	Caffyns 50p	β	498	−2.0	3.1	11.12	Jan. July	2031
13.1	♦Central Motor Auctns.	γ	98	....	4.4	12.2	Apr Oct	4930
8.55	♦Cook (D.C.) Hldgs.	γ	36	9.1	‡	30.1	Feb Aug	2231
62.0	Cowie (T.) 5p	β	49	....	11.4	12.3	Sep Apr	2260
12.1	Dagenham Motors 10p	γ	73	....	9.6	30.4	Nov May	4954
12.3	Davenport Vernon 10p	γ	93	−3.1	5.0	29.1	March	3912
5.58	Equity & Gen 5p		288	....	10.0	16.10	Dec Oct	2487
38.1	Evans Halshaw	β	185	2.2	8.1	26.3	Oct May	2506
32.4	Gates (F.G.)	β	103xd	4.0	3.6	29.5	July	2661
9.96	Gowrings 10p	γ	118	....	6.8	9.4	Nov Jun	4847
121.0	Hartwell		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

5.86	Restaurateur 5p	γ	39	−7.9	‡	–	Mar Oct	5228
0.84	Scott Pickford 10p	γ	12	....	4.2	17.7	August	5062
1.67	Sempernova	γ	12	−14.3	–	–	–	1645
6.40	Sleepy Kids 5p	γ	32	3.2	–	–	–	5068
2.49	Swangard Studios 1p	γ	1¼	....	–	–	–	4666
6.72	Tomorrows Leisure 20p	γ	68	−4.8	–	–	–	4248
1.57	UPL Group 10p	γ	39	....	‡	22.5	Dec. July	4362
9.69	Unit Group	γ	181	....	3.7	11.12	Jan Aug	4357
9.58	Video Magic Leis. 1p	γ	98	−4.9	4.6	26.1	Jan July	5871
4.08	Vista Ents 5p	γ	4½	21.4	–	–	–	5994
6.95	Vizcaya Hldgs 5p	γ	13	....	–	–	–	4193
36.6	Whitegate Leisure 20p	γ	23½	−4.1	1.4	12.2	April	1105
0.54	Do. Wrnts	γ	8	−11.1	–	–	–	1116
19.0	Wilton Group 1p	γ	4½	13.3	–	–	–	5628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- § Not comparable
- ? Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	γ	838	....
Finlay Pkg. 5p	γ	53	....
Holt (Jos) 25p	γ	1900	0.8

IRISH

Cap. 8¾% Ln. 1991	£98¼	....
9pc Cap Ln. 1996	£94½	−0.3
Fin. 13% 97/02	£112¼	....
Arnotts	415	....
Carroll (P.J.)	142	−2.1
Hall (R. & H.)	172	−1.7
Heiton Hldgs.	74	....
IRG	265	1.9
United Drug	165	3.1

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1,050 per annum for each security.

4pm prices June 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¼	AAR	.48	2.3	12	161	21¼	20½	20½	– ½
9⅛	8	ACM n	1.01	11.		73	9	8⅞	9	+ ⅛
11⅝	9½	ACMIn	1.26	12.		625	10¼	10⅛	10¼	
9⅞	7¼	ACM M	n1.01	13.		261	7⅞	7¾	7⅞	
12⅛	10	ACMMM				134	11	10⅞	10⅞	
11½	9⅛	ACM Sc	1.26	13		887	10¼	9⅞	9⅞	
9⅜	8⅛	ACMSp	1.01	12.		416	8⅝	8¼	8¼	
24⅝	14⅜	AL Lab	.16	.7	21	x336	23½	23	23⅛	– ⅜
5¼	2⅛	AM Intl				161	2⅜	2¼	2⅜	+ ⅛
23⅛	10¼	AM In pf	2	16.		4	12⅝	12⅝	12⅝	
107¼	62½	AMR			13	9738	68	66⅞	67	– 1⅛
4¾	3	ARX				6	3⅜	3⅜	3⅜	
72⅞	40⅛	ASA	3a	6.7		1354	44⅞	44	44½	– ⅛
39¼	27⅝	AbtLab	s.84	2.2	19	6463	38½	37	37⅛	– ¾
18⅝	11¼	Abitibi	g .50			38	13⅜	13¼	13¼	
13	8½	AcmeC	.40	4.4	11	78	9¼	8⅞	9	
9¼	7⅝	AcmeE	.32	3.6	11	25	9¼	8⅞	9	
41⅞	28⅛	Acuson			23	264	39	38¼	38½	– ⅝
16½	13¾	AdaEx	2.06e	13		89	16⅜	16¼	16⅜	
15⅜	8½	Adobe				30	12½	12⅛	12¼	– ¼
20¼	17¼	Adob pf	1.84	9.5		57	19½	19⅜	19⅜	– ⅛
21⅝	20⅛	Adob pf	2.40	12.		11	20⅜	20⅛	20⅜	
11⅝	8⅞	AMD			20	4665	9⅞	9½	9⅝	– ⅛
35	28¼	AMD pf	3	9.5		5	31½	31⅜	31½	
10⅛	4⅛	Advest	.16	3.5	66	104	4⅞	4⅝	4⅝	
62½	45¼	AetnLf	2.76	5.3	9	1856	53	51⅞	52	– ⅞
14	9⅞	AflPb	.24	2.3		393	10⅜	10⅜	10½	– ⅛
25	16⅛	Ahmans	.88	4.0	10	3849	22¼	21⅜	21⅞	– ½
3⅝	1⅞	Aileen				25	2⅛	2⅛	2⅛	– ⅛

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49	44¾	Xerox pf4.13		9.0		1	46	46	46	
35¼	21⅛	XTRA .48a		1.9		24	24⅞	24⅞	24⅞	
28	18¼	XTRA pf1.94		9.5		20	20½	20½	20½	− ½
4¼	2	Zapata				241	2¼	2⅛	2⅛	
12⅛	6⅛	Zemex				6	6¼	6⅛	6¼	
20½	7⅞	ZenithE				1305	9⅛	8⅝	9	
9¾	5⅝	Zenix	.90	15.		501	6⅛	6	6	
18½	12⅞	Zero s	.40	2.7	14	266	14⅞	14⅝	14⅝	− ⅛
48¾	34	Zurnin	.76	1.6	20	479	47½	46½	46½	−1
12⅝	10⅝	Zweig	1.27e	10.		269	11⅞	11⅝	11⅞	
10	9	ZweigTl	96	10		2094	9¼	9	9¼	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices June 8

[illegible]

NASDAQ NATIONAL MARKET

4pm prices June 8

[illegible]

The Business Column

Western rhinos must learn to learn

IT IS A fundamental principle of the natural world that, for any organism to survive, its rate of adaptation must be equal to, or greater than, the rate of change in its environment. Precisely the same law applies to the business world: if an organisation fails to keep up with, or ahead of, the rate of change in its economic, financial, regulatory and competitive environment, it will either be eaten alive, or lapse into sudden death or slow decay.

Like many natural organisms, a business organisation can only adapt if it is first able to learn – from the world outside, and from its own internal experience. Yet organisational learning is a subject which has only started to creep onto the executive agenda in the past two or three years; most business schools still focus merely on the specialist skills of finance, production, marketing and personnel, rather than on cross-functional learning by the organisation as a whole.

Individual focus

In those few western countries which invest heavily in career-long executive education – notably West Germany and the United States – most of the emphasis is on individual development, rather than on the individual as part of a team. The same bias afflicts those countries, notably Britain, which render themselves even less able to adapt by confining most management development to people under the age of 30.

The risks of such myopia – especially at the top of an organisation – are addressed with admirable down-to-earth brevity in a new book* by Bob Garratt, a British consultant who specialises in helping directors (in the UK, not the US sense) develop their skills.

In far too many companies, he complains, directors are appointed to the board with grossly inadequate training and development for their new job. They become quickly disillusioned at their own incompetence, lapsing into their previous role at the top of a particular function, thereby making life hell for those beneath them.

Far from acting with their fellow directors as an effective team, they operate in isolation, or in fragmented units, coming together only for formal (and therefore uncreative) board meetings and committees.

'Swot' techniques

Garratt's many antidotes include: the imaginative application to organisations and their departments of the standard strategy "SWOT" technique, of analysing strengths, weaknesses, opportunities, and threats; the development of a common vision (which, done well, can be more than just a tired cliche); the establishment of proper career development processes, including well-designed appraisal schemes; the use of "action learning", rather than conventional business school education; and various methods for capturing, sharing, applying and protecting (from competitors) the learning which occurs all over an organisation.

The most fundamental point in "Garratt's Guide to Leadership Learning and Development" as he calls it, is that a "learning organisation" relies on all sorts of social and other "soft" processes which have little if anything to do with traditionally "hard" areas of management concern, such as structures, spans of control, and functional disciplines.

Adapting the title of Rosabeth Moss Kanter's influential 1989 book on innovative large corporations, When Giants Learn to Dance, Garratt coins the phrase "when rhinoceroses learn to learn".

Before people assume leadership roles in such organisations, he concludes, they must get to grips with their own self-development and that of their top team. Otherwise their organisations will be unable to break out of their in-built ability "to learn nothing and forget nothing."

It is this learning handicap, more than any particular disadvantage in technology, market strategy, or investment climate, which puts the average western company at the mercy of its relentlessly innovative Asian competitors. Corrective action is needed urgently.

Christopher Lorenz

**Creating a Learning Organisation. Director Books. £27.*

MONDAY INTERVIEW

A mission to make plans

John Birt, deputy director-general of the BBC, speaks to **Raymond Snoddy**

John Birt, deputy director-general of the BBC, adores plans, almost needs plans – intricate, robust plans that provide a clear guide to action. A keen walker, he would never dream of setting out without a compass.

"I not only set out with a compass but know where I am going to stay the night. I do believe you need the security and structure of a plan in order to depart from it," says the 46-year-old outsider from commercial television brought in unexpectedly three years ago to what he regarded as "the most important broadcasting institution in the world and one of the most important institutions" in the UK.

The task was to unite the often warring factions in the four different departments responsible for journalism at the British Broadcasting Corporation into a single news and current affairs directorate, and, perhaps even more fundamentally, to help modernise an institution more often honoured abroad than appreciated at home.

His arrival was greeted by howls of anguish that were translated into a stream of hostile stories in newspaper diaries. There were those in the BBC who predicted that he wouldn't last the year and Birt himself confided at the time that it was like being in a hostile jungle surrounded by little men in black pyjamas.

"It wasn't a lot of fun and I hope I never have to go through it again," he says now.

But as Birt celebrates his third anniversary in one of the most influential jobs in British broadcasting there has been a considerable, if gradual, transformation. The men in black pyjamas have melted away, been fired or gone to other jobs and the news programmes of the directorate are beating their rivals at Independent Television News in the ratings.

Perhaps most surprising of all – even though Birt is still criticised by those who value the role of the individual reporter and treasure news more highly than analysis and specialist expertise – he is now being talked about seriously as the next director-general of the BBC if Michael Checkland, the present incumbent, decides to move on in two years at the end of his five-year contract.

"There is a sense of purpose. We are an institution with goals. We have a five-year plan," says the engineering graduate once turned down for a BBC traineeship.

Birt is a man who seems to generate myths and caricatures as easily as theories. He is perhaps best known for his role, with Peter Jay, the former British Ambassador to Washington who has recently turned up at the BBC as head of the corporation's economic coverage, in developing Weekend World, the LWT current affairs programme. The programme specialised in devoting serious, if rather formulaic, analysis, to questions of national and world importance.

Together Birt and Jay attacked what they saw as the limitations of television news at the time – a news agenda dominated by pictures and human interest stories and a tradition of reporting more concerned with difficulties and conflicts than with how to get to grips with them. With a slick turn of phrase, they called it "a bias against understanding". The four words have been been wrapped around Birt's neck like an albatross ever since.

In his career he has also been responsible for comedy programmes such as Nice Time. He feels he has never had full credit for his contribution, while director of programmes at LWT, in bringing Blind Date, fronted by fellow Liverpudlian Cilla Black to the screen. It became one of ITV 's most popular shows.

But it was almost certainly Birt the analytical broadcaster, Birt the conceptual theoriser – of the bias *towards* understanding – that Michael Checkland went hunting for in March 1987.

After being approached in an early-morning phone call at home by an intermediary whom Birt will not identify to this day except to say it was not Jay, a meeting was arranged in London's Howard Hotel with Checkland.

"I was rather taken aback by his briskness of purpose. He came right down to business and asked what are the problems with BBC journalism," Birt recalls.

"What really startled me was that within minutes he started talking about pay and things like that." Both are non-metropolitan – Checkland is from Birmingham – both former grammar school boys who went to Oxford University.

It was in the end a job Birt decided he could not refuse even though it cost him a lot financially. By coming to the BBC Birt passed up the managing directorship of LWT and with it hundreds of thousands of pounds of share options.

Looking back, Birt was soon clear on what he believed the problems were, the changes in management style and infrastructure that were needed and how they should be carried out.

Birt says he was shocked to find that BBC Television did not have a single bureau in Europe, even in Moscow. Now there are bureaus in Paris, Moscow and Tokyo. The BBC, he believed, had lost touch with the young adult audience. Janet Street-Porter was brought in as head of youth programmes.

But most of all Birt believed the most general problem with the corporation was that it no longer looked like a modern institution.

The changes he helped to instigate were radical, even ruthless. Some outsiders were brought in and many of those who had served the corporation for years were either cast aside or saw their chances of promotion go as Birt skipped a generation and moved "bright, able, energetic young people" into key slots. He cites, for example, Mark Thomson, appointed as editor of the Nine O'Clock news at 29.

"The scale of change was so great if you had tried to do it slowly and by stealth it would have taken forever in an institution that knows how to resist," says Birt.

"I never had any doubts about the plan or the people that were being appointed to carry it out. It may be wrong to be that sort of person but if you have that kind of conviction that the decisions you made are the right ones and your judgments are correct then that does carry you through," Birt says.

According to a new history of LWT, Running The Show, by David Doherty, one of Birt's assets is his ability to work through a mass of detail, absorb patterns and trends and reach conclusions in advance of most of his contemporaries.

"Those who rejected his answers, or even his questions, were in turn rejected – unless they could demonstrate that they had thought longer, harder and had more data than he possessed," according to Running The Show.

For the creative and vaguely anarchic world of broadcasting Birt's management style is unusually spartan and hierarchical. "I do not believe in the style of management much practised in broadcasting, but not in other places, of constantly undermining your senior managers by going round them all the time," he says.

In times of organisational change every single person affected wants to "engage the person responsible for the change in long dialogue, and it can't happen. It is not a practical proposition."

Apart from an endless programme of visits to outposts of the BBC empire Birt says he only communicates directly with the people who report directly to him – executives such as Ian Hargreaves, director of news and current affairs (and former features editor of the Financial Times). The regular weekly meeting would typically involve a "long structured conversation of two to three hours." The trend in television, Birt believes, is towards programmes that are smarter, cleverer and make demands on the audience.

"We have consciously moved BBC journalism to the top end of the market. The results are striking. I am surprised by the extent of it," says Birt, who was optimistic that more analytical programmes would not lose audiences. Actually to gain in audience levels wasn't necessarily in the plan.

In the last two quarters of 1989 the Nine O'Clock News had average audiences of 8.4m and 8.1m against ITN's 6.3m and 6.4m. In the first quarter of this year the lead was much narrower: 7.7m against 7.3m for ITN. In the first three months of the year the BBC One O'Clock News averaged 4.7m against 2.9m, and at six o'clock, the BBC lead was 8.9m against 6.3m for ITN, according to the official audience measurements. Regional magazines at 8.4m were a dead heat. Ratings can go down as well as up.

The development stage of the plan will come to an end this year. "I would like to think we had built a service of journalism that could stand comparison with any other," says Birt. He believes that the BBC has to continue to be innovative and to broadcast work commercial stations cannot do if it is to continue to justify its unique method of funding – the licence fee.

As the BBC five-year plan rolls on there is only one thing that Birt claims not to plan: his career.

"I am not one of those people who spend their lives trying to cultivate their career," he says. "Every opportunity I've ever been offered has come out of the blue."

But would he like to be director-general of the BBC?

"The idea of being director-general is a pleasant idea," says Birt with characteristic honesty.

PERSONAL FILE

- **1944** Born December 10 in Liverpool. Educated St Mary's College Liverpool and St Catherine's College Oxford.
- **1968-9** Producer Nice Time.
- **1969-70** Joint editor World in Action.
- **1971-72** Producer The Frost Programme.
- **1972-74** Executive producer Weekend World.
- **1974-77** Head of Current Affairs London Weekend Television.
- **1977-81** Controller of Features and Current Affairs LWT.
- **1982-1987** Director of programmes.
- **1987-** Deputy director-general BBC.

Alan Harper

'We have moved BBC journalism to the top end of the market'

Attack on Lords' war crimes vote is unfair

JUSTINIAN

Now that the idea has been exploded that the House of Lords was acting unconstitutionally in voting down the War Crimes Bill, the sole question is whether the Government will use its powers under the Parliament Acts to reintroduce the Bill and force it through the legislative mill.

Commentators have generally questioned the wisdom of the Lords' repulsion of the measure that would facilitate the criminal trial of a handful of septuagenarians who are now British citizens or resident in the United Kingdom for crimes of murder, manslaughter or genocide committed in Germany and in territories occupied by German forces during the Second World War. But were the Lords so foolish to decide that war criminals, if any who were still alive and prosecutable in the 1990s, should be left alone?

The impetus to engage in an expensive exercise of deploying the criminal justice system, suitably amended to catch those who as aliens abroad in the 1940s were beyond the jurisdiction of the English and Scottish Courts, came from the Hetherington and Chalmers Report on War Crimes presented to the Home Secretary a year ago. Unexpectedly, the two distinguished ex-government legal officers concluded that, while extradition, deputation or deportation of citizenship were inappropriate, the British courts should be given extraterritorial jurisdiction over murder and manslaughter allegedly committed by persons who were not British and abroad at the relevant time.

In general, neither English nor Scots law imposes time limits on the prosecution of serious crimes. Both the United Nations Convention of 1968 and the Council of Europe Convention of 1974 require nations not to impose statutory limitation on the prosecution of war crimes. There are, therefore, no bars in either domestic or international law to prosecuting war criminals simply because they were committed over 40 years ago. So be it. No war criminal who for four or five six decades is a fugitive from justice should escape the penal consequences of crimes against humanity. But have any of the potential defendants of a war crimes trial been hiding in this country? Have they not been living openly – no doubt unbeknown to their neighbours, the perpetrators of alleged war crimes – and available to any prosecutor?

True it is that no positive decision by government was ever made in the immediate post-war years not to prosecute war criminals in this country. Nor was it ever intended that war criminals should find a haven here; war criminals were not given any assurance they would ever be immune from prosecution. All that meant was that the British government was morally free to take whatever action it considered suitable. But by doing nothing for 40 years might it not reasonably be interpreted by those affected as an implied licence to live on in peace, free of the fear of prosecution?

The passage of time is an overwhelming reason to forego a natural feeling of revenge against a few old men who may have been guilty of the most wicked crimes

The British government has throughout been confident that war criminals had not gained, nor would gain, admission to this country. If that was ever so, it was a misplaced confidence that was exposed in 1964 following which there was masterly inaction.

In 1946 a Dr Wladyslaw Dering entered the United Kingdom as a member of the medical corps of the Polish Armed Forces. He was on the UN War Crimes Commission List, which should have precluded his admission to Britain. An order for his deportation was rescinded after a private hearing before the Chief Metropolitan Magistrate, who decided that the evidence did not substantiate a case against Dr Dering of having been an accomplice to medical experiments in Auschwitz as part of Hitler's Final Solution. All this was revealed when Dr Dering sued Leon Uris for allegations that appeared in the latter's novel, Exodus.

The compelling evidence at the libel action in the Royal Courts of Justice, including a number of Greek Jewesses who had undergone ovariectomies under Dr Dering's surgical operations, alerted the authorities to one war criminal practising general medicine in north London. Yet no steps were taken to test whether there were other Dr Derings in our midst.

It is a part of our law of extradition that the Home Secretary may properly not allow a person to be surrendered for trial abroad if "by reason of the passage of time" since the person is alleged to have committed the extraditable crime, it would be unjust or oppressive, having regard to all the circumstances, to return the fugitive from justice. What is a sound principle for surrendering a fugitive offender for trial in a friendly foreign country, must likewise apply to trying the same persons before our own courts.

One of the more remarkable statements made by Hetherington and Chalmers in favour of prosecutions of war criminals now is that "their prosecution could act as a deterrent to others in future wars". This is an astonishing claim for a handful of cases that might never result in a conviction. The passage of time is an overwhelming reason to forego a natural feeling of revenge against a few old men who may have been guilty of even the most wicked crimes.

Louis Blom-Cooper QC

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SECTION III

As apartheid vanishes on to the scrapheap of history, South Africa is poised for a compromise. **Patti Waldmeir** looks at the prospects for a peaceful transition from white domination, to a constitutional solution that will satisfy the aspirations of all races

Pretoria takes the plunge

THE END of apartheid in South Africa is now a foregone conclusion. With a sigh of relief which is distinctly audible in the corridors of power, the ruling National Party has begun to divest itself of 40 years of apartheid baggage. There can be no turning back: "If you think we are going to cancel this, forget it," says Mr Barend du Plessis, the Finance Minister and an influential Nationalist. "We've jumped."

The supreme irony of South African politics is that only the African National Congress (ANC) can hold the net for the Nationalists. After 30 years as a banned organisation, the source of the "swart gevaar" (black threat) and the excuse for Pretoria's policy of "total onslaught", the ANC has re-entered centre stage as the white man's saviour.

The reversal has been dramatic: seemingly overnight, the state-controlled South African Broadcasting Corporation stopped demonising the ANC, and switched to transmitting a hagiography of its leader, Mr Nelson Mandela, released from 27 years in jail on February 11.

Since that time, Mr Mandela and Mr F.W. de Klerk, the South African president, have undergone an extraordinary bonding. The first official photograph of the two, released on the eve of Mr Mandela's release, showed them as stiff and uneasy. Yet, at their last joint appearance, following the talks between Pretoria and the ANC last month, Mssrs de Klerk and Mandela outdid one another with courtesy and warmth. In the words of one National Party MP: "They are like Siamese twins; neither can survive on his own."

For the forces of change are propelling both men towards the same bit of political ground: the territory inhabited by perhaps half of the 5m whites, as well as 1m Indians, 3m coloureds (mixed race peoples), and of the 27m Africans, many who yearn for peace.

In the process, each has alienated radical constituencies which oppose a negotiation. The Nationalists have lost support to the ultra-right Conservative Party, and inflamed the passions of the para-military right, including groups such as the Afrikaner Weerstandsbeweging (AWB). And the ANC risks leaving behind a large proportion of the youth, the "lost generation" of the mid-1980s which learned the politics of confrontation in township streets.

President F.W. De Klerk and Mr Nelson Mandela: "they are like Siamese twins; neither can survive on his own"

Even within the ANC's own broad anti-apartheid front, there are signs of opposition to the septuagenarian moderation of men like Mr Mandela. The South African Communist Party – a powerful, or even dominant influence within the ANC national executive – remains loyally on-side for the moment. But its programme goes well beyond that of Mr Mandela and the African nationalists. At some point, their interests must diverge.

The survival of both the National Party and the ANC may depend on their ability to do a speedy deal on a post-apartheid constitution which they can present as a *fait accompli* to the radical left and right.

It is this imperative which has dictated the pace of change over the nine months since Mr de Klerk came to power in last September's general elections. The ANC has been kept almost permanently off guard by Mr de Klerk, who has moved boldly even when caution would have been excusable.

First he legalised peaceful political protest; then lifted restrictions on the ANC and other anti-apartheid organisations altogether. Political prisoners have been released, and others will come out soon; exiles have returned; repressive legislation (including the state of emergency imposed four years ago tomorrow) has been eased or repealed.

The aim is to normalise political activity, and interrupt the process of radicalisation among blacks which was the consequence of oppression.

That normalisation process is still under way; so far, Pretoria and the ANC have taken only tentative steps towards negotiating a new constitution. But the process has brought arch-enemies into civilised contact for the first time; and in the words of Mr Thabo Mbeki, the ANC's shadow foreign minister, each discovered that the other had no horns.

The two sides may yet find even more common ground between African and Afrikaner nationalism. For the natural coalition in South African politics is arguably not a conservative grouping – uniting, say, the National Party, the coloured Labour Party and Zulus represented by Chief Mangosuthu Buthelezi.

A more powerful alliance might span the broad political centre – possibly including the Nationalists (with their expertise and their finance) and the ANC with its superior numbers.

For the moment, both sides shake their heads in disapproval at such a notion. But even if formal alliance is a distant, perhaps an impossible goal, the past few months have already brought the ANC and the National Party into *de facto* coalition. The two sides have agreed to collaborate on ending violence, with Mr Mandela and Mr Adriaan Vlok, the Minister of Law and Order, in regular contact. Members of ANC-affiliated trade unions are consulted by government on issues such as labour law reform and privatisation. And there is more co-operation between black community groups and white-controlled local government structures.

Still, the gulf between the two sides is huge. Progress is being made on removing what both groups see as obstacles to formal talks on a new constitution: the release of remaining political prisoners, the return of all exiles, the repeal of some security legislation; and from Pretoria, the demand that the ANC end its armed struggle.

But on the issue of the constitution itself, neither is willing to concede much common ground – either publicly or privately. The ANC is sticking to its insistence on a majority-rule constitution, with a bill of individual rights to protect minority interests, and an independent judiciary with the power to review legislation. ANC officials say they are committed to non-racial multi-party democracy; when asked about specific constitutional guarantees for whites or other minorities, they bridle.

"That would just perpetuate apartheid under a different guise," says Mr Pennuel Maduna, a member of the ANC's constitutional committee. Mr Mandela has said he would consider "structural guarantees for whites"; but Mr Maduna dismisses the notion. And the ANC's continued insistence on an elected constituent assembly to draw up the constitution could prove a major stumbling block; to accede to that, Pretoria would be giving up without a fight.

The Nationalists envisage a constitution which will bring blacks to power, but without wholly marginalising whites. White dominance will go, but some measure of power must remain; anything else would be political suicide.

They are exploring constitutional models which could form the basis for compromise, with the favoured option at the moment a two-tier American-style parliament. The lower house would be elected by proportional representation (viewed as the best way of ensuring minority representation); while the upper house would reflect a more explicit attempt to give whites a disproportionately large voice.

Minorities would be represented in this house according to some as yet undefined notion of "groups" – interest groups, language groups, or something else altogether. Ministers insist that race will not be the criterion; but it is hard to see how race can be avoided.

Crucially, many powers would devolve downward from the parliament to local or neighbourhood structures. By using health, safety or crowding standards, neighbourhoods could ward off integration – and schools, through the medium of privatisation, could remain segregated.

On the economy, there may be even less common ground. For apartheid has bred economic disparities which are grotesque even by Third World standards: the average white income per capita is 12 times that of a black. Pretoria is making belated attempts to redress these imbalances, with a R3bn trust fund for socio-economic development. But the ANC insists on a more active form of redistribution of wealth; and the South African Communist Party is eager to begin the transition to socialism.

The Communist Party believes that it is not socialism, but bureaucratic centralism which has been discredited in eastern Europe; its goal is to save socialism for posterity, by proving it can work in South Africa.

Both sides say they expect negotiations on a new constitution to begin late this year or early in 1991. Even the most optimistic think the process will take two to three years – and will yield a transitional constitution, rather than the final document.

But, by the standards of recent South African history, three years is a long time: time enough for violence from left and right to sabotage negotiations; perhaps too long for the stamina of the 71-year-old Mr Mandela. Still, the prospects of a historic compromise in South Africa are better now than ever before. The transition from domination to democracy has finally begun.

In this survey

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Editorial production: Roy Terry

Patti Waldmeir discusses the downturn in the economy

Born again into capitalism

CAPITALISM is on trial in South Africa, and the trial period is perilously short. Over the next two years, perhaps less, Pretoria must persuade blacks that capitalism is not the cause of deprivation, but its remedy. The system of economic apartheid inherited from 42 years of National Party rule makes black leaders sceptical of this message: and with economic growth depressed, now is the worst time to be putting the free market to the test.

"It is a tragic irony that negotiations are getting under way just when the economy in on the downturn," says Mr Barend du Plessis, the South African Finance Minister, a member of the National Party team negotiating with the African National Congress (ANC).

"What we need is an economy which supports the negotiation process," Mr du Plessis argues. "It can't just be the cherry on the cake; it must be the very wheels that carry negotiations to their destination."

But it is difficult to see the 1990 economy providing the Nationalists with much ammunition for their battle against socialism. Economic growth has been negative for the past two quarters, and even the most sanguine forecasters expect at best 0.5 per cent real GDP growth this year.

Mr du Plessis argues that the basis has now been laid for sustainable growth, following an intensive period of structural adjustments aimed at reducing the role of government in the economy (through privatisation and deregulation), and at introducing fiscal and monetary discipline.

"We had to telescope into a very short period of time structural adjustments which normally take place over a much longer period – and we were forced to do it without access to international financial resources."

Mr du Plessis, and his colleagues in other economic ministries and departments, are clearly proud of the Government's recent record of economic reform. For, after decades of Afrikaner socialism – the heavily interventionist economic system which uplifted the Afrikaner, but led to inefficiency and waste – Pretoria has been born again into the capitalist faith.

Ironically, international sanctions appear to have played a large role in spurring the Government on to reform. Without steps to promote exports, and reduce imports, South Africa's balance-of-payments situation would have been untenable: since 1985, when Pretoria declared a partial debt moratorium, South Africa has seen a total net capital outflow of R30bn ($13bn).

That situation has eased recently: according to Mr Chris Stals, governor of the South African Reserve Bank (central bank), the net capital outflow in the first quarter of 1990 was zero; and in the past five months, foreign reserves have risen by $1bn. Outflows will increase as South Africa repays the $1.2bn of debt maturing this year (total debt maturing in 1990 is estimated by Mr Stals at $2.1bn to $2.2bn, but a large portion has been or will be rolled over).

However, Mr Stals sees no difficulty in meeting these payments, with the surplus on the current account of the balance of payments running at R5bn to R6bn at the moment. And, by the end of 1991, Pretoria will be over its debt repayments hump, left with no more than $1bn in foreign debt to repay in any one year.

For the first time in years, South Africa will then be able to determine economic policy without the constraint of running a large balance of payments surplus. Mr Stals estimates that if the net outflow could just be stopped, 3 to 4 per cent growth is possible, while growth of more than 4 per cent would require an inflow of foreign capital.

Mr du Plessis forecasts that by the end of 1991, the economy will have entered a new growth phase (provided, of course, that the gold price holds up). The ground has been prepared by a mildly stimulatory budget for 1990-91. "The strategy now is to stimulate the economy on supply side principles, while making massive investments in social expenditure," says Mr du Plessis.

Economists fear, however, that Pretoria's commitment to fiscal discipline may not survive the pressures of politics in the transition to a new South Africa. Mr Gerhard Croeser, director-general in the Department of Finance, says government remains firmly wedded to discipline. But he admits Pretoria will henceforth need to consult more widely on the budget – ANC officials will almost certainly have an input, if not in the next budget then in the following one – and it will be difficult to deny their demands.

For the disparities between white and black are huge. Per capita spending on black education (excluding capital spending) totalled R765 in 1988/89, against R3,082 for whites, while health spending was R187.84 per capita for blacks, and R597.11 for whites. Housing is perhaps an even more urgent problem: the Urban Foundation calculates that nearly half of all African families are housed in shacks.

According to Mr Servaas van den Berg, an economist at Stellenbosch University, the cost of abolishing fiscal apartheid (introducing parity between white and black benefit levels) in the fields of education, pensions, health and housing would be some R75bn, more than the whole of the 1990/91 budget.

Yet, according to Mr Stals, growth of more than 4 per cent cannot be achieved without foreign capital. And most economists and government officials are extremely cautious about likely inflows post-apartheid. South Africa does not qualify for direct World Bank assistance because per capita income is too high: with its balance of payments surplus it would not qualify for assistance from the International Monetary Fund (IMF), even if politics did not prevent its access; and Eastern Europe may well prove stiff competition when it comes to other sources of capital.

Much will depend, of course, on the economic policies of a post-apartheid government. "If you put nationalisation to the vote it would win," says Mr Stoffel van der Merwe, a member of Pretoria's negotiating team with the ANC. "But people who understand economics can be persuaded," Mr van der Merwe believes. "When it comes to the point of discussing economic issues we will have strong arguments." The next few months will begin to show whether Pretoria's optimism is warranted.

BALANCE OF PAYMENTS (annual figures, Rm)

	1985	1986	1987	1988	1989
Merchandise exports[1]	20,465	25,048	25,146	31,472	39,555
Net gold exports[2]	15,460	16,719	17,792	19,622	19,228
Service receipts	5,796	6,222	6,453	7,504	9,297
less Merchandise imports[1]	23,045	25,514	28,320	39,170	44,133
less Payments for services	13,109	15,684	15,350	16,882	20,381
Total goods and services	**5,587**	**6,811**	**5,721**	**2,548**	**3,566**
Transfers	358	385	431	393	531
Balance on current account	**5,925**	**7,196**	**6,152**	**2,939**	**4,097**

1 Published customs figures adjusted for balance of payments purposes.
2 Net foreign sales of gold plus changes in gold holdings of the Reserve Bank and other banking institutions.
Source: South African Reserve Bank

KEY FACTS

Area	1,223,226 sq km (includes homelands)
Population	35.9m (1988 est including homelands)
Africans	74.9%
Coloureds	8.7%
Asians	2.6%
Whites	13.6%
Head of State	President F.W. de Klerk
Currency:	100 cents = 1 Rand
Exchange rate (1989 average)	$ = R2 620

ECONOMY

	1988	1989
Total GDP ($m)	87,993	89,409
Real GDP growth	3.7%	2.0%
GDP per capita ($)	2,451	not avail
Current account balance ($m)	1,272	1,595
Budget deficit as % of GDP	4.4%	1.5%
External debt as % of GDP	24.1%	23.0%
Debt service/exports	9.6%	8.9%
Exports incl non-factor svcs ($bn)	22.4	24.3
Imports incl non-factor svcs ($bn)	17.2	18.8
Trade balance ($bn)	5.2	5.5
Export volume growth rate	5.7%	9.5%
Import volume growth rate	22.5%	0.0%
Inflation	12.9%	14.7%

* Exports plus imports as % of GNP
Source: EIU, Reserve Bank Quarterly Bulletin

The ANC's economic debate

Mandela policy statement

THE African National Congress (ANC) is clear about its economic objectives: to abolish white economic privilege along with political privilege; to "democraticise" and "deracialise" the exercise of economic power: to eliminate the gross economic inequalities fostered by apartheid.

But it has only just begun drawing up policies to achieve those objectives. The ANC returns from 30 years in exile with few of its own position papers on vital economic issues, and only a handful of trained economists.

Now, though, economic debate within the ANC has begun in earnest. South African and foreign academics, trade union economists, and the local business community are being called on to contribute. The result, in many cases, is confusion. For the moment, the ANC is experimenting with numerous policy options.

The clearest indication yet of the direction of its thinking came last month when Mr Nelson Mandela, ANC deputy president, addressed a conference in Johannesburg bringing together ANC officials and some 400 local businessmen.

He was at pains to stress that the ANC was not blindly committed to nationalisation – an impression which he himself had created by several previous statements on the issue, which precipitated sharp falls in the Johannesburg Stock Exchange and in the value of the rand.

"The ANC has no blueprint that decrees that (privately-owned) assets will be nationalised ... But we do say that this option should be part of the ongoing debate ... It should not be ruled out of the court of discussion simply because of previous bad experience or because of a theological commitment to the principle of private property," Mr Mandela said.

He acknowledged "the critical importance of such matters as the confidence ... of both the national and international business communities," adding that the ANC "can have no desire to go out of our way to bash them and to undermine or weaken their confidence in the safety of their property and the assurance of a fair return on their investment." But they would have to realise that an ANC government would have to respond to "justified popular concern about the grossly unequal distribution of economic power".

Apart from these general statements of intent, Mr Mandela made passing reference to issues such as the use of anti-trust legislation to limit the concentration of economic power; the appointment of state and trade union representatives to the boards of private sector businesses; land reform and taxation.

Mr Mandela chose his words judiciously to avoid alarming his listeners. But his bottom line was that redistribution of wealth must take place "in conditions of a growing economy", that public spending must be redistributed in favour of the disadvantaged, and that "growth by itself will not ensure equity". This could best be assured by the elaboration of a "macro-economic indicative national plan" drawn up by a future parliament "together with the public at large," he said.

However, it would be dangerous to draw too many conclusions from Mr Mandela's speech. It is not clear how closely the speech reflects the views of the ANC's most prominent economic thinker Mr Joe Slovo, an influential member of the ANC national executive and general secretary of the South African Communist Party.

Mr Slovo argued in a recent article that "the resources which have to be generated to correct inherited imbalances and deprivations of the majority demand, in the first place, a necessary degree of state control (involving selective forms of ownership and participation) over strategic sectors of the economy."

"In short," argued Mr Slovo, "liberation can have little meaning without disturbing the existing access to and distribution of wealth and resources." Mr Slovo proposes nothing so dramatic as an immediate transformation to socialism; but his vision is clearly more radical than that of Mr Mandela, and appears to be shared by many within the union movement and the ANC.

Patti Waldmeir

Philip Gawith looks at sanctions

Harmful but also helpful

THE CONSENSUS in South Africa is that sanctions are yesterday's topic – the world has done its worst, the country has taken the pain and from now on things can only get better. While this may be so, the economic legacy of sanctions will live on long after they have been lifted.

Attempting a political audit of sanctions – whether, if at all, they pushed the Government towards political reforms – is an impossible task: the subject is so emotional, subjective and intangible. The truth is probably that sanctions were among many factors which influenced Government thinking.

A cost-benefit analysis is even more vexed, although business has no doubts. Mr Lesley Boyd, chairman of Highveld Steel and of the South African Chamber of Business, says: "The damage caused by sanctions is far greater than any contribution they may have made to the political process in the country."

In more sanguine moments South Africans argue that sanctions have had some benefits for the country. Mr Stef Naude, director-general of the Department of Trade and Industry, notes: "The determination to rectify the structural problems in the economy was the result of sanctions. We're coming out of this leaner and meaner. The private sector has lost its flabbiness."

The problem is the country has lost a lot more than flab. A study by the Washington-based Investor Responsibility Research Center (IRRC) estimates sanctions cost between $15bn and $27bn and that the economy is 20 to 35 per cent smaller than it would have been without restrictions on capital inflow and costly import substitution strategies.

Sanctions divide into three main categories: financial sanctions, restrictions on markets for exports and disinvestment. Few dispute that financial sanctions have hit the country hardest. According to Mr Chris Stals, governor of the Reserve Bank, net capital outflows from South Africa in 1985-89 totalled R30bn. That meant running a current account surplus which, given the import propensity, has meant a ceiling of about 3 per cent on GDP growth. For a capital-hungry, developing country these outflows have seriously constrained growth.

Most South African exporters who lost markets in 1986-87, when the US, Canada, Scandinavia and the EC implemented sanctions, found alternative outlets; but the cost was high. The deciduous fruit industry lost 17 per cent of its export markets and 12,000 seasonal workers lost their jobs. This bears out the IRRC conclusion that boycotts of South African goods have been regressive in impact, with blacks suffering a larger proportionate decline in income than whites.

South Africa had quotas to export 500,000 tonnes of finished steel to the US and the EC. These markets constituted 40-50 per cent of the industry's exports. In 1986-87, they were lost. According to Mr Boyd, they have been replaced; but this has prevented normal growth of the industry.

The impact of disinvestment is difficult to measure. In general, business has gone on either via a licensing arrangement or through local companies buying the assets, often at knock-down prices. There have also been impressive turnarounds, such as with Delta which bought out General Motors. Anecdotal evidence indicates, however, that the withdrawal of a parent company leads to local companies falling behind in technology. But the main problem comes in the long term – there is little reason to believe a different political dispensation will bring back the multinationals.

Perhaps the most insidious effect of sanctions was their impact on industrial strategy. The oil and arms embargoes forced the country to seek self-sufficiency in these areas; strategic, rather than economic, considerations determined investment decisions.

The oil embargo hurt in two main ways. First, it caused the stockpiling of oil at considerable cost. The second major cost came from synthetic fuel projects: Sasol, which extracts oil from coal, and Mossgas, (oil from gas). There have been repeated calls for the abandonment of Mossgas which is seen as a white elephant.

Recently there has been evidence of greater normality in the running of economic affairs. Mr Dawie de Villiers, Minister of Mineral and Energy Affairs, announced an investigation into the deregulation of the liquid fuels industry. And Mr Naude said that direct trade with traditional foes such as Africa, China and eastern Europe was growing as a result of political reforms afoot.

Black trade unions

Gearing up for militancy

Cyril Ramaphosa

Union membership

Million

Source: Levy Piron Associates

IT IS a heady time for black trade unionism in South Africa.

After four years at the forefront of the black political struggle against Pretoria, trade unionists congratulate themselves for hastening the end of apartheid. Union leaders expect to play an important role in negotiating a post-apartheid constitution, while their members, spurred on by rising political expectations, are gearing up for industrial militancy.

The legalisation of black unions a decade ago drove the first important wedge in the edifice of white power. Since that time, and especially during the darkest days of the state of emergency imposed in 1986, black unions assumed (along with the churches) the leadership of the anti-apartheid struggle.

Pretoria barred the unions from political activity in February 1988; but they managed to keep the spirit of resistance alive. Meanwhile, union leaders honed their negotiating skills in wage talks with employers – influencing the ANC's eventual decision to negotiate with Pretoria, and providing skilled operators for the time when formal talks begin.

Already union leaders are moving towards a less adversarial relationship with Pretoria and the employers. Officials of the Congress of South African Trade Unions (Cosatu), the largest union federation, and of the National Union of Mineworkers (NUM), the most powerful union, have met Government officials on numerous occasions recently to discuss industrial relations and broader political issues such as privatisation of state enterprises.

It is difficult to avoid the conclusion that the unions, like the ANC, are participating in a *de facto* coalition with the National Party.

"We're meeting ministers almost every day," says one enthusiastic NUM official. The gap between the two sides is still huge: after a recent meeting with ministers, union officials issued a statement criticising Pretoria's privatisation policy. But contact is at an early stage, and common ground may yet be found.

Two meetings last month, both held on the same day, illustrated the radical change in union relations with Pretoria and the employers.

In Welkom, the scene of racial attacks which left more than 10 people dead in one week last month, NUM officials held a meeting with the Minister for Law and Order, Mr Adriaan Vlok, and mine management. Mr Vlok, who ordered the detentions of more than 30,000 people during the state of emergency and is hated by many blacks, must have been astounded to hear Mr Cyril Ramaphosa, the NUM general secretary, refer to him as "our minister".

And later that day in Cape Town, it was time for union-employer solidarity: union officials went into joint caucus with employer representatives to determine a strategy for their meeting with Mr Eli Louw, the Minister of Manpower.

Unions and employers – represented by Cosatu and the smaller union federation, Nactu (National Council of Trade Unions), and by the employers' federation, Saccola (South African Coordinating Committee on Labour Affairs) – presented to Mr Louw joint proposals on amending South Africa's labour laws.

The proposals were thrashed out during two years of union-employer consultations, and have yet to be accepted by government. In themselves, they represent little more than a return to the status quo ante, before the adoption in 1988 of the Labour Relations Amendment Act which outlawed secondary strikes, introduced tougher definitions of unfair labour practices, allowed the Industrial Court to interdict lawful strikes, and held unions financially liable for damage during unlawful strikes.

The Cosatu/Nactu/Saccola agreement provides tentative evidence of a new maturity in the country's labour relations. But union officials argue that much remains to be achieved: despite the breathless pace of political change, workers have so far seen no improvement in material conditions.

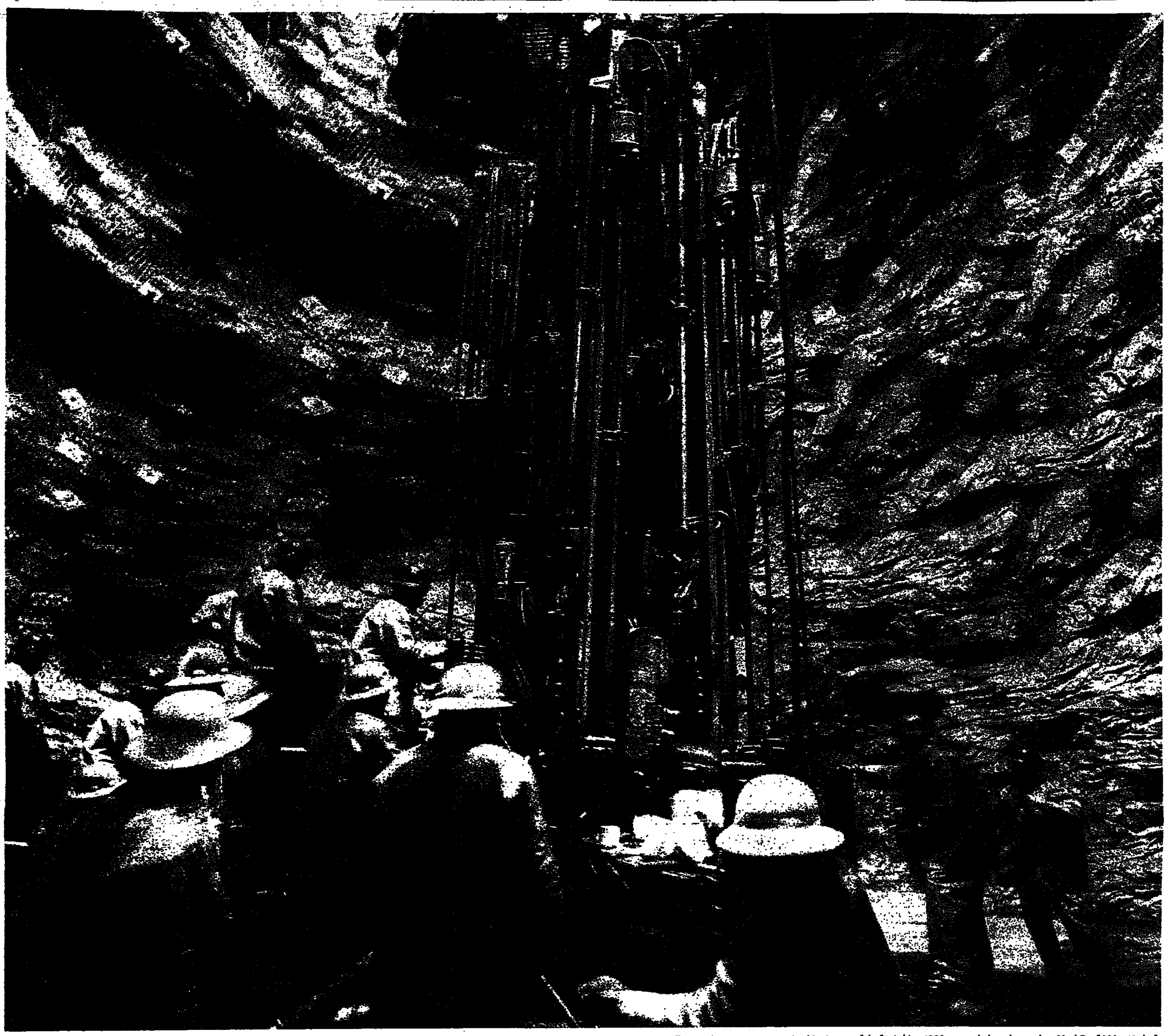
Labour consultants predict a high level of industrial action in coming months, with workers' demands inflated by political expectations. Man days lost due to strikes in the first quarter of 1990 were four times as high as the same period of 1989, according to consultants Levy, Piron and Associates. They were estimated at 500,000 to 600,000 compared with 140,000 in the same period of 1989, while violence, damage to property and serious assaults also increased. And public sector workers, including hospital employees, are showing greater militancy.

It is too early to say whether 1990 will see a repetition of the bitter 1987 miners' strike, however. The NUM has demanded an average 35 per cent wage increase, and there seems little hope that employers will agree. But with 50,000 miners made redundant since the last strike, the miners' union will be in no hurry to repeat the 1987 experience.

In economic terms, now is the worst time for industrial action. Real economic growth is projected at no more than 0.5 per cent for 1990, and company profits are already reflecting the downturn. The trade-off between jobs and wages could well come sharply into focus: according to Levy, Piron, employment in manufacturing has risen only 5.6 per cent since 1980, while black wages in manufacturing have increased by 19 per cent per annum. Without large productivity gains in 1990, further pressure could be placed on jobs.

In the meantime, the unions appear eager to see liberal labour legislation put in place before a new Government takes over. This government may well be dominated by the ANC – with whom the unions are strongly allied. But union leaders are anxious to protect the independence of the trade union movement. Given the experience of labour unions in the rest of Africa, they would do well to ensure that now.

Patti Waldmeir



Drilling is about to commence in this picture of shaft-sinking 1800 metres below the earth at Vaal Reefs' No. 10 shaft.

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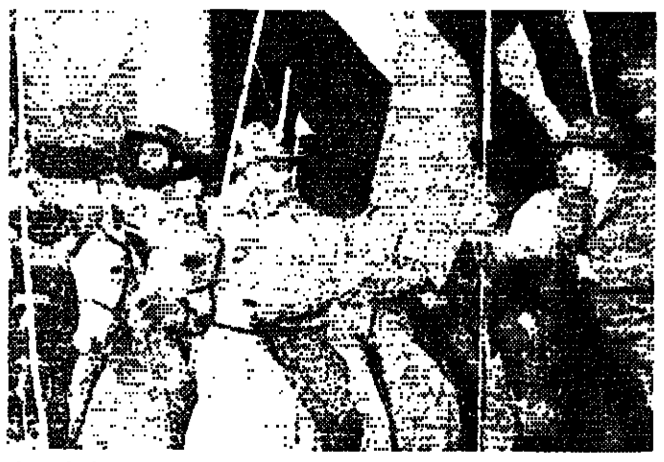


Apartheid rally: horseback parade in Pretoria

RIGHT-WING POLITICS

Third freedom struggle

IT SEEMED more of a family outing than the launch of what Mr Andries Treurnicht, leader of the far right Conservative Party, proclaimed as the "third freedom struggle" of the Afrikaner nation.

The aroma of roasting *boerewors* (sausage), colourful beach umbrellas, and children queueing for refreshments in the huge amphitheatre below Pretoria's Voortrekker Monument, looked more like a vast picnic for 50,000 people than a show of strength by right-wing South Africa.

On the same day last month, President FW de Klerk reaffirmed the policy that is dividing Afrikanerdom, addressing a crowd at Jan Smuts airport after his nine-nation tour of Europe.

"The new South Africa is in the process of being born, and nobody can stop it," he said.

So far it seems that Mr de Klerk is holding his own.

While the CP is able to play on the deep-rooted fears held by many whites about a post-apartheid South Africa, it is unable to present a credible alternative.

The party stands for the old impractical apartheid ideal – that racial groups should "exercise their right to self-determination in their own states under their own governments," as the party's manifesto says. In his speech at the Voortrekker Monument rally, Mr Treurnicht's language was fiery, although his delivery was flat.

"You do not have enough jails to keep Afrikaner nationalism imprisoned," he declared. "We warn: this is an unfair government which no longer represents the *volk* (people)."

But Mr Treurnicht offered little in the way of strategy.

A 10-point "plan of action" included a call for support at the Umlazi parliamentary by-election; further efforts to collect one million signatures for a petition opposing government policy; and negotiations for a white homeland – although it was too soon to set out its borders.

The party's strong showing in last week's Umlazi by-election, failing by a few hundred votes to take over a National Party stronghold, has boosted morale. But the next step is uncertain. Given that the CP has considered, but rejected, both a national strike by its members, and the resignation of its 39 MPs in order to challenge government's popularity at a "mini general election," the plan of action must have seemed dull fare for any law-abiding party supporter.

Hence the mood at the rally was subdued and reflective, rather than suggesting overwhelming enthusiasm for the "third struggle." (The Anglo-Boer war of 1899-1902 is known as South Africa's second war of independence). But the spectre of a right-wing backlash against the dismantling of apartheid nevertheless worries many observers.

The CP, the Afrikaner Weerstandsbeweging (AWB), the extreme right para-military organisation led by Mr Eugene Terre'Blanche, and several smaller extremist groups, enjoy considerable support from within the ranks of the police and armed forces, although exactly how much is difficult to assess.

A recent outbreak of violence in the the mining town of Welkom, Orange Free State, showed how explosive an encounter between gun-toting white vigilantes and black South Africans exercising their rights could be.

Bloodshed was almost inevitable with the combination of armed AWB vigilantes trying to evict blacks from the town centre, a retaliatory boycott of white businesses by black consumers, and tension in the mines with black workers demanding an end to discriminatory practices. In March, two blacks died at the hands of vigilantes, although police say they do not know whether the AWB was involved.

Further violence occurred last month, when two whites were murdered by black mineworkers, and nine blacks died when police opened fire on a crowd leaving a meeting. Ironically, a decision to call off the business boycott was made at the meeting.

Police and army reinforcements restored authority, but for about 48 hours, the town had the ingredients of a South African nightmare.

The fact that order returned, however, and that no similar racial clashes have occurred elsewhere, suggests that so far at least, the extreme right's bark is worse than its bite - although danger remains of an assassin's bullet, be fired by an angry white at either President de Klerk or Nelson Mandela.

Whether the far right threat can be contained as the full implications of Mr de Klerk's policies sink in is another matter.

Frustrations could grow as changes to apartheid take effect – in health services, for example, and public amenities. Conservative Party MP's can do little to stop the process, despite the party's substantial, and growing, support from white voters.

Senior officials of the ruling National Party privately acknowledge that if an election was held today, it could lose, notwithstanding support from the middle-of-the-road Democratic Party.

The officials are in no doubt that party popularity has fallen since last September's general election, when the CP gained 31.3 per cent of the vote and won 39 seats, the DP 20 per cent (33 seats) and the NP 48.6 per cent (93 seats).

But this assessment is little comfort to the CP.

There is no constitutional requirement to hold an election before 1994, and when Mr de Klerk puts the outcome of constitutional negotiations to the white electorate, it will almost certainly be at a referendum.

In the meantime, the National Party hopes it can keep the far right at bay, as it rebuilds its constituency in readiness for this critical test of white opinion.

Michael Holman

Black politics is in a state of great flux, says **Patti Waldmeir**

Beyond the revolution

"WE'VE MOVED beyond being revolutionaries. When we go out now, we wear a coat and tie." So says Mr Claude Mallins, a young African National Congress (ANC) activist who learned his politics in the street battles of the mid-1980s in the Western Cape.

He has shed more than just the uniform of the struggle.

He is making the transition with the rest of the ANC from liberation fighter to platform politician. And he has no doubt where that leads him – towards the middle ground in black society where most of the voting power lies.

The challenge for the ANC is to coax or drag a host of other more radical groups – especially students and unionised workers – along with it on the path towards the centre.

To do this, the ANC must maintain and expand the front it formed for the liberation struggle: with the South African Communist Party (SACP), one of the few communist parties in the world with expanding membership; with the Congress of South African Trade Unions (Cosatu), the largest union federation; and with churches, youth groups and community organisations whose opposition to Pretoria has been far more effective than the ANC's military struggle.

President FW de Klerk is counting on the ANC's ability to hold itself together long enough to ensure an orderly transition to a post-apartheid future – and hopefully long enough to allow common political values to grow between black and white.

But with black politics in a more fluid state than at any time since the ANC was formed in 1912, it is difficult to predict the outcome.

Political activity by blacks has been stifled for more than 30 years.

When Mr de Klerk announced its liberalisation on February 2 – unbanning the ANC, SACP and Pan-Africanist Congress (PAC) – he released the pent-up force of years of anger and deprivation.

Politically-inspired violence surged through the country and in the black homelands, but organisational structures did not exist to channel it towards a goal.

Lack of organisation is probably the most important issue facing the ANC.

Its spokesmen regularly contradict one another on important issues, and the group seems to have no coherent strategy in areas such as economic policy. Its grassroots structures are embryonic.

Without them, ANC leaders will find it difficult to bring their constituents around to the idea that whites are not simply going to hand over power. And they may find themselves unable to stop another wave of violence.

But while the ANC organises on the ground, holding membership drives and opening offices throughout the country, its deputy president and acknowledged leader, Mr Nelson Mandela, has made some progress in broadening the anti-apartheid front.

He persuaded four of the six leaders of non-independent black homelands to boycott a recent meeting with President de Klerk. He is also able to count the leaders of independent Ciskei and Transkei as ANC supporters.

But there are important segments of the non-white population which do not pledge allegiance to Mr Mandela.

A surprisingly large number of coloureds and Indians – and not a few blacks – say they would vote for President de Klerk in an election.

So far, there is only anecdotal evidence of such support. But political scientists, and those who work in non-white communities, say they believe it could be significant.

Tribalism is one motivation: the ANC hierarchy is dominated by Xhosas and non-Xhosas fear they might be left out when the ANC distributes the spoils of liberation.

More important is the rift with Chief Mangosuthu Buthelezi, chief minister of the KwaZulu black homeland, leader of Inkatha, the Zulu political organisation, and a member of the Zulu royal family.

Every day in Natal, Chief Buthelezi's supporters battle with Zulus who support the United Democratic Front (UDF), an ANC affiliate. More than 400 people have died in the black townships of Natal so far this year.

Mr Mandela has made clear his desire to meet Chief Buthelezi to seek an end to the carnage in Natal. But when he attempted to do so in April, Mr Mandela said he thought his supporters would "throttle" him. To them, Chief Buthelezi is a collaborator – a black who chose to operate within the apartheid system, rather than fighting underground.

The ANC appears to be trying to isolate him as the only homeland leader of any substance who continues to co-operate with Pretoria.

ANC officials believe this strategy is working. The international community has backed away from the Zulu leader; Pretoria is more interested in the ANC; and the ANC is making inroads in Natal. Chief Buthelezi, whose Inkatha movement claims 1.5m members, is thrown back on his xenophobic rural power base.

The Zulu leader could be a dangerous man if cornered, and it is difficult to see a resolution in Natal unless he is brought on board.

More nebulous is the threat from the PAC, the ultra-radical black group which opposes negotiation with Pretoria and has as its slogan "one settler, one bullet."

The PAC could easily become the party of the dispossessed and of the youth if the ANC is seen to give away too much to Pretoria: for example an agreement on protecting white rights. PAC's insistence that the land be returned to African ownership – an issue which the ANC largely avoids – could also prove popular.

The PAC seems likely to remain on the fringes of black politics, however, although that fringe may eventually prove large enough to cause considerable disruption.

Apart from these external threats, the ANC must also determine its relations with the SACP. At a recent meeting of youth in the Western Cape, young members made clear their support for the Communist Party. Several said they would vote for Mr Joe Slovo, the white general secretary of the SACP, before Mr Mandela.

The SACP's aim of a phased transition to socialism goes far beyond the programme of the Freedom Charter, the 1955 document which embodies ANC policy. But the party appears to have considerable support among the youth and trade unions.

It could not survive on its own. But its leaders, who are believed to represent a large proportion of the ANC national executive, exert a disproportionate influence.

These leaders deny that eastern Europe represents the failure of socialism. They say it is bureaucratic centralism that has failed and they plan to save socialism by proving it can work in South Africa.

The party's secrecy and tendency to Stalinist authoritarianism is an unwelcome influence within the ANC. But for the moment, there is no prospect of the ANC-SACP alliance dissolving.

Their historical ties are strong, and both still need each other to drive the best bargain with Pretoria.

Chief Buthelezi, Chief Minister of the KwaZulu homeland: could be a dangerous man if cornered

Patti Waldmeir analyses the failure of the homelands experiment

Dumping grounds of apartheid

OF ALL the grand designs of apartheid, none is grander – or more brutal – than the policy of "separate development," aimed at ridding white South Africa of blacks.

This particular apartheid experiment, which involved banishing millions of South African blacks to 10 remote tribal homelands, has now been quietly abandoned by the National Party government.

The party has acknowledged the failure of its policy of ensuring, in the words of Mr Connie Mulder, a former National Party minister, "that there will be not one black man with South African citizenship."

Mr Stoffel van der Merwe, Pretoria's minister in charge of the homelands, told the Parliament last month that the Government would no longer press homeland leaders to accept independence. Only four of the 10 ever did so – Transkei, Ciskei, Bophuthatswana and Venda – and their status was never recognised by the international community.

The constitutional future of the six self-governing (non-independent) territories will be "a matter of negotiation," said Mr van der Merwe.

On one level, the minister was doing no more than stating the obvious: that the National Party cannot demolish apartheid while leaving the cornerstone of the edifice – the homelands – untouched.

Even before Mr van der Merwe's statement, the homeland system seemed on the verge of collapse.

When political activity was freed by the Government in February, demonstrations broke out in several homelands. Residents challenged the legitimacy of governments led by men widely viewed as puppets of Pretoria, many of whom have used brutal methods to maintain power.

In Ciskei and Venda, military coups took place.

Last month the Chief Minister of the KaNgwane homeland, Mr Enos Mabuza, a longtime ally of the African National Congress (ANC), called for homeland political structures to be phased out. He told the territory's legislative assembly: "Our demise as a political body is upon us."

And in Transkei and Ciskei, it was announced that referendums would be held on whether to renounce independence and rejoin the Republic.

Meanwhile, Mr Nelson Mandela, deputy president of the ANC, was busy wooing homeland leaders to fall in behind the ANC in opposing Pretoria.

He managed to persuade four of the six leaders of self-governing homelands to boycott a recent meeting with Mr F W de Klerk, the President. Pretoria has acknowledged it can no longer count on them as allies.

But however precarious the future of the homelands as political structures, their existence cannot simply be wished away by a new government.

The feat of social engineering which led to their creation in the 1960s and 1970s could have lasting consequences.

Pretoria, for its part, seems eager to see the homelands transformed into semi-autonomous regional political structures, able to limit the power of central government under a new constitution.

The ANC rejects this view, arguing for a system of majority rule in which the homelands would have no place as separate political entities.

But the ANC faces one powerful opponent in the homelands: Chief Mangosuthu Buthelezi, Chief Minister of the most populous territory, KwaZulu. He rejects any suggestion that the KwaZulu Government or legislature will be abolished.

The Zulu nation was not created by the homeland policy, he argues, and so cannot be demolished along with it.

But even if a future government succeeds in dismantling homeland political structures, huge administrative bureaucracies will remain.

ANC officials expect a big economic boost from attacking what Mr Mandela has called "the multi-headed hydra" of apartheid administration, including the homelands.

Some economists argue, however, that reducing the duplication inherent in the apartheid system would yield only limited savings.

For while South Africa might no longer need 10 homeland ministers of education and 10 ministerial limousines, it would still need regional governments and regional bureaucracies. And given that per capita spending on pensions and other social services for homeland blacks is lower than for blacks in the Republic, equalising spending might offset savings gained by eliminating the duplication.

Mr Simon Brand, chief executive of the South African Development Bank, argues that the direct costs of duplication are not as high as is popularly believed. But he believes big savings can be achieved by phasing out Pretoria's industrial decentralisation policy – which involves heavy subsidies to industries setting up in homeland or border areas.

About R700m a year is spent on such subsidies, although a recent report commissioned by Pretoria found that 74 per cent of decentralised firms were unprofitable and the number of jobs created was disappointing.

But it is not clear yet whether an ANC government might wish to maintain some industrial subsidies to rural areas. And an ANC government could come under heavy pressure to reward former combatants with positions in homeland bureaucracies.

Whatever the complexion of a future government, resources for improving the appalling living standards which prevail in most homelands will be difficult to come by.

De Klerk is gaining respect abroad, says **Michael Holman**

Coming in from the cold

RAPID pace of change on South Africa's domestic political front, accompanied by Namibia's transition to independence, is paving the way for Pretoria's return to the international community.

In the nine months since he took office, President FW de Klerk has won a respectability not granted South African prime ministers and presidents since 1945, when General Jan Smuts joined other world leaders in San Francisco to help draft the charter for the United Nations.

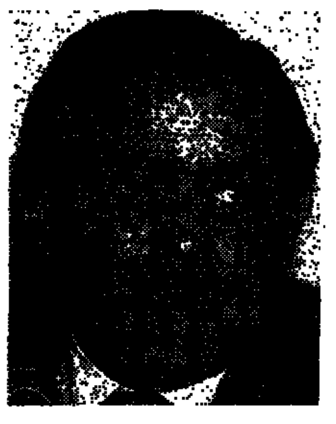
In Africa, west and east Europe, the United States and the Soviet Union, Pretoria is building a relationship of a sort that not so long ago was unthinkable.

For southern Africa, the new relationship offers the first prospect of regional peace for nearly three decades. Mr de Klerk was not the first South African leader to make forays into black Africa; but in talks with President Kenneth Kaunda of Zambia, and President Joachim Chissano of Mozambique he has been able to argue that diplomacy is replacing the era of destabilisation, when Pretoria bludgeoned or coerced its neighbours into submission.

South African troops are out of Angola and Namibia, and the 1984 non-aggression pact with Mozambique has been reaffirmed. Difficult though negotiations may be, there is now a chance that the civil wars in Angola and Mozambique can be brought to an end.

Developments are equally encouraging for Pretoria in the European arena. A nine-nation tour by Mr de Klerk last month was remarkably successful, going a long way towards convincing European governments that the dismantling of apartheid was an irreversible process.

Whether he has done enough to persuade the European Community that it is time to "reward" Mr de Klerk by selectively lifting sanctions – as Mrs Margaret Thatcher the British Prime Minister did in February when she ended the UK's voluntary bans on investment and tourism promotion – depends on the outcome of the Community's summit in Dublin later this month. But South African officials are confident that in Europe the sanctions tide is turning.



President de Klerk meets UK Prime Minister Margaret Thatcher during his nine-nation European tour. (Right) Mr Pik Botha

The picture is less clear in the United States, where the administration's actions are influenced as much by their impact on black voters as by their consequences for South Africa. The anti-apartheid lobby in the US managed to forestall Mr de Klerk's visit to Washington, which was due to take place later this month. The South African leader may not get the chance to personally put his case to President George Bush until next year.

Pretoria makes light of the postponement, however, and seems resigned to the fact that repeal of US sanctions may prove more protracted and complex than the European equivalent.

Meanwhile events in eastern Europe have had a dual impact on southern Africa.

On the one hand, while the collapse of communism has helped convince Pretoria that it has little to fear from an ideology hitherto seen as a bogey that had the power to sweep through southern Africa; mass demonstrations in east European capitals against intransigent authoritarian regimes has helped concentrate National Party minds on the urgent need to end apartheid.

On the other hand, states which were formerly loyal allies of the African National Congress (ANC), opened up to Pretoria. Almost overnight it became possible for Polish trade delegations to visit Johannesburg and efforts got under way to tap east Germany for a new source of immigrants with the technical and professional skills in short supply in South Africa.

The most pointed indication of changing attitudes came when Mr Pik Botha, the South African foreign minister, made an official visit to Hungary – which has chaired the United Nations Committee on apartheid.

But underlying these developments is perhaps the most fundamental and far-reaching change of all in Pretoria's relations with the rest of the world: a reappraisal of the role in southern Africa of the Soviet Union, the main supporter of the ANC.

Events in Namibia have been pivotal.

The territory where Pretoria and the black nationalist independence movement had been at loggerheads for decades was one of the first beneficiaries of President Gorbachev's decision to disengage from foreign conflicts and find common ground with Washington.

Several factors were behind the guerrilla war for the independence in Namibia, when South Africa intervened in defiance of UN resolutions and world opinion. The cost of the war was an increasing burden on the depressed South African economy, while the presence of over 50,000 Cuban troops in neighbouring Angola made the conflict increasingly more perilous for Pretoria.

But equally critical was the decision by Moscow to push its proxies – the Angolan government, Cuba and the Namibian Nationalist Party, and the South West African People's Organisation (SWAPO) – into negotiations skilfully handled by US mediators.

Pretoria's role in the successful implementation of a UN settlement plan for Namibia, which became independent in April this year following a peace agreement signed in December 1988, was an important step in the rehabilitation of South Africa in the eyes of the international commmunity.

Of equal significance, however, was the opportunity the process provided for South African and Soviet officials – diplomats, senior army and intelligence officers, and politicians – to work together.

One official closely involved with the Namibia talks says "The experience was invaluable because many of the same men are involved in the next item on the southern African agenda – a settlement in South Africa itself."

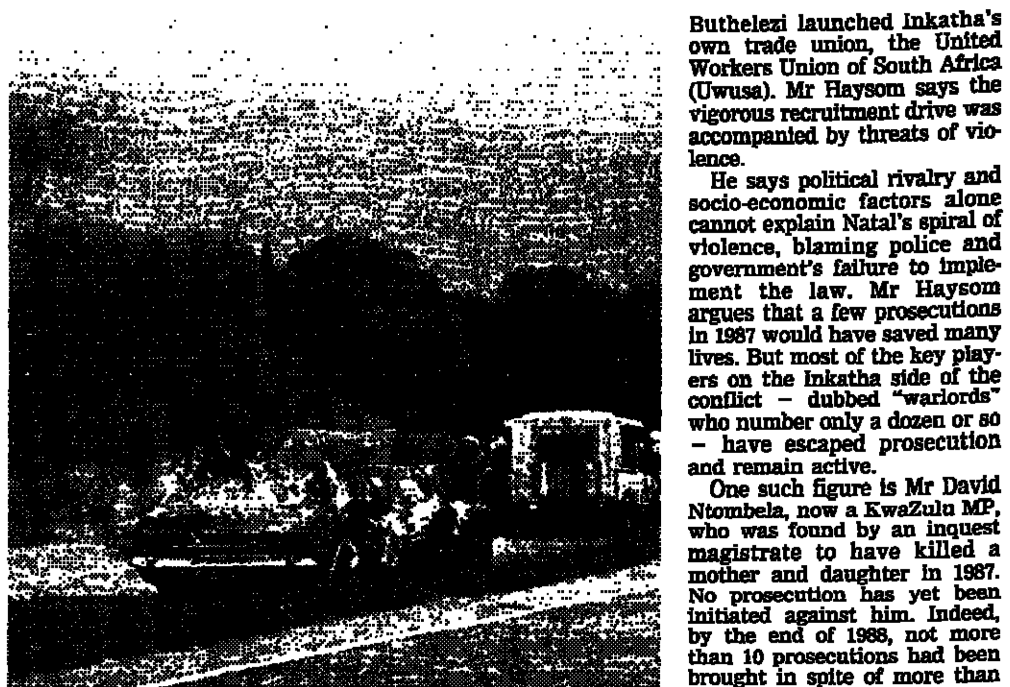
Some of the groundwork for such unexpected co-operation is being laid as the early stages of the Namibian negotiations were getting under way.

A series of signals from Soviet officials, academics, and commentators were indicating a shift in Moscow's policy towards South Africa.

A military solution to apartheid was ruled out. The need for a negotiated settlement with the white minority was stressed, and the merits of a mixed economy acknowledged.

The impact on Pretoria has been marked.

From being seen as the driving force behind what the Government used to call a "total onslaught" on white South Africa, officials concede that behind-the-scenes Moscow could play a conciliatory, constructive role in the constitutional negotiations that lie ahead.



Township inferno: 3,000 lives lost in three-year battle

Fred Kockott examines the conflict raging in Natal

A culture of violence

OUTSIDE Pietermaritzburg's white suburbs, a woman lives in a sprawling peri-urban settlement, Mpumuza. A few kilometres away, her mother lives in a small formal township, Ashdown. Mother and daughter cannot visit each other because their communities are divided in political allegiance.

Mpumuza backs the African National Congress (ANC), while Ashdown is a stronghold of Inkatha, the Zulu political organisation headed by Chief Mangosuthu Buthelezi.

In March, the daughter witnessed armed men mobilising youths from neighbouring households to attack Ashdown. She would have liked to warn her mother of the impending attack, but feared she would be branded as Inkatha and killed if she ventured into her mother's township.

The story of mother and daughter is typical of the conflict in Natal. Across the breadth of Pietermaritzburg's black settlements, geo-political divides have arisen, and residents are identified as supporters of either party purely by virtue of the area in which they live.

The reality of the conflict remains largely an untold story. For many of the white residents of Pietermaritzburg, the provincial capital set in a hollow of Natal's lush green hills, the conflict only intrudes when a maid or gardener does not turn up for work.

But in the outlying black areas, the idyllic setting is deceptive. In the last three years, an estimated 3,000 lives have been lost in the fighting. This year more than 400 people have been killed. In 1988 twice the number of people died in the Pietermaritzburg fighting as in Beirut.

The release of Mr Nelson Mandela in February raised hopes that he and Chief Buthelezi would meet to pave the way for negotiations to end the violence. However, the idea of talks met with strong opposition from the ANC at grassroots level, where Inkatha is viewed as a surrogate for the South African government.

Instances of collusion between Inkatha and the South African police, assisted by a 3,000-strong KwaZulu police force, have exacerbated tensions. Mr Mandela has said that Natal community leaders would have "throttled" him had he met Chief Buthelezi, and there now seems little prospect of an early meeting.

Far from diminishing after Mr Mandela's release, the fighting has actually intensified, and is spreading from the townships surrounding Durban and Pietermaritzburg to more remote areas.

And there is clearly no quick solution to end the violence, which has a variety of political, social and economic causes. Mr Gavin Woods, executive director of the Inkatha Institute, a pro-Inkatha research body, maintains that the roots of the conflict are found in worsening poverty and unemployment.

Mr Woods says the formation in 1983 of the United Democratic Front, effectively the internal wing of the ANC, was a catalyst for the violence.

He argues that the ANC has dealt harshly with its black opponents elsewhere in the country: "In Natal, the strongest opponent was Inkatha, and it is no coincidence that the intensity of black on black violence has reached the level of the worst of the country."

Inkatha's opponents argue, however, that the movement has used force in Natal to demonstrate its strength, in an attempt to secure a powerful place in negotiations for a future national constitution.

They argue that, as leader of Inkatha and chief minister of the KwaZulu homeland, Chief Buthelezi has attempted to establish a *de facto* one-party state among Natal's blacks.

Members of the homeland administration have on occasion been forced to pledge allegiance to Inkatha or lose their jobs; and as Minister of Police in KwaZulu, Chief Buthelezi has a firm hold on security.

For its part, Pretoria has turned a blind eye – if not actively encouraging Inkatha.

One critic, Mr Fink Haysom, an ex-detainee whom Pretoria once banned and prevented from practising as an attorney, links the violence to the Congress of South African Trade Unions (Cosatu), which challenged Inkatha's exclusive political preserve.

After the 1987 May Day worker stay-away, which was backed by an estimated 80 per cent of the workforce, Chief Buthelezi launched Inkatha's own trade union, the United Workers Union of South Africa (Uwusa). Mr Haysom says the vigorous recruitment drive was accompanied by threats of violence.

He says political rivalry and socio-economic factors alone cannot explain Natal's spiral of violence, blaming police and government's failure to implement the law. Mr Haysom argues that a few prosecutions in 1987 would have saved many lives. But most of the key players on the Inkatha side of the conflict – dubbed "warlords" who number only a dozen or so – have escaped prosecution and remain active.

One such figure is Mr David Ntombela, now a KwaZulu MP, who was found by an inquest magistrate to have killed a mother and daughter in 1987. No prosecution has yet been initiated against him. Indeed, by the end of 1988, not more than 10 prosecutions had been brought in spite of more than 1,300 deaths.

Bringing a successful prosecution is extremely difficult because witnesses are often intimidated, and sometimes killed, before they can testify.

Recourse to civil courts has also failed. Mr Haysom's legal firm brought nine interdicts in 1988, but three complainants seeking protection were killed while the hearings were taking place. With little or no recourse to state-administered justice, people have taken the law into their own hands.

Following widespread detention of the community leaders in 1988 and 1989, discipline within the ANC camp has been eroded with some ANC youths operating independently of the organisation's leadership.

All parties agree that a culture of violence is taking hold which may take years, if not generations, to eradicate. Revenge killings have become the order of the day.

Mr Woods says: "The problem rests with the youths – 63 per cent of the population are 24 years or younger. A few hundred thousand have become a lost generation."

Police officials admit that they have made mistakes and can no longer contain the situation. Brigadier Leon Mellet, Law and Order spokesman, says that even if the force had the manpower to flood the area, it would not solve the underlying problems.

And as long as Chief Buthelezi is unwilling to give up his grip on Natal, a resolution to the conflict, and a new political deal, will probably be a a very distant goal.

Philip Gawith analyses the mining industry

Glitter on gold begins to fade

Gold-miner: the industry's costs are rising

THE SOUTH African gold-mining industry will not be sad to see the end of the 1980s.

It was a decade in which South Africa went from being the world's lowest cost producer to the highest and when the country saw its share of non-communist world production fall from 70 to 40 per cent.

Unfortunately, the new decade has begun little better with the gold price languishing at levels which have analysts predicting the imminent closure of mines.

Mr Kennedy Maxwell, president of the Chamber of Mines, has calculated that by July this year 15 of the chamber's 31 mines would have production costs in excess of the predicted gold price for the year of R33,400 per kilogram (about $400/oz).

With the present price in the $365-75/oz range, the picture gets worse, although it should be added that marginal mines are estimated to produce only about 15 per cent of the country's gold.

The nub of the problem is that the industry's costs are rising faster than its revenue. For most of the past two decades, the rand gold price increased at a rate well above the inflation rate, camouflaging this profit erosion. But with the rand gold price generally flat since mid-1987, the industry has been forced to confront the question of costs.

Two broad strategies have emerged to deal with the problem. Because fixed costs are high, unit costs are sensitive to changes in capacity (tons of ore milled). Increasing capacity should reduce unit costs and this is the strategy that has been pursued by mines in the Anglo American group. In the mid-seventies they switched their mines from low-volume, high-grade operations to high-volume low-grade. This saw throughput of ore milled annually double from about 22m tonnes in 1979 to 44m tonnes in 1988.

Gengold, the gold arm of Gencor, has pursued the opposite strategy – mining lower volumes, but higher grades. Thus in the three months to the end of March, Gengold's 12 mines increased gold yield by an average 2.3 per cent against an industry average of a 2 per cent decline. The policy has attracted criticism for its short-term focus, but there is little alternative.

Both strategies have achieved success, but analysts believe that most scope for cost-cutting has been exhausted so that a continued cost-squeeze will inevitably lead to closures.

Probably the most important variable within management's control is labour. Stockbrokers Ed, Hern and Rudolph estimate that labour costs comprise about 45 per cent of total unit costs. Given this, and the fact that labour productivity has shown little increase, wage increases translate directly into higher unit costs. How management is likely to address this problem is shown by the experience at Gengold where about 17,000 workers were shed in 15 months to the end of 1989.

Industrial relations is also an increasingly important aspect of keeping mines profitable. Political reforms have fed worker expectations and this has resulted in a significant increase in industrial action. A leading mining executive lamented recently that his managers seemed to spend all their time on labour relations, to the extent that managerial skills had changed significantly.

The flat outlook for gold is reflected in the fact that capital spending on gold mining has fallen in real terms over the past five years, as well as in relation to spending on other mining projects. Although some new mines are under way – Oryx, Joel and Barbrook – with the potential for further announcements, including extensions to existing mines, a great deal depends on the gold price.

Admittedly there have been other disincentives to new developments. Ring-fencing legislation, which prevents a profitable mine from funding non-contiguous capital expenditure under a tax shield was one. Another was the fact that mining houses had large capital sums frozen through fear that liquidating these mature equity holdings would attract normal corporate tax at a rate of 50 per cent.

The government made concessions on both these issues in the recent budget: ring-fencing has been relaxed to the extent of 25 per cent of taxable income and profits from selling shares held for more than 10 years will not be taxed. Given the current gold price, though, it is doubtful whether these concessions will spark any development in the short term. Brian Gilbertson, chairman of Genmin, commented: "At today's prices even if ring-fencing was lifted, there is probably no gold we would go into. We would need to see a substantially better price."

With these factors in mind, Mike Brown, economist at stockbrokers Frankel Kruger, concludes that local annual gold output will continue to decline to 550 tonnes or lower over the next five years. In 1989, output was 608 tonnes.

The outlook for platinum, coal and diamonds, the country's other major commodities, offers more joy. Coal and platinum-group metals (PGM) both seem likely beneficiaries of the green movement. Increasing environmental awareness means that by the mid-1990s most new motor vehicles will be fitted with catalysts containing rhodium, platinum and palladium to meet international emission standards.

At present the industry faces something of a dilemma. Platinum is in a potential oversupply, so much so that the price immediately shed $15 on the recent announcement of capacity extension at Rustenburg. Yet there are predictions of a 20-25 per cent shortage of predicted demand for rhodium, a platinum by-product, by the middle of decade.

The low sulphur content of South African coal looks likely to benefit the local industry as the worldwide move against acid rain, the product of sulphur dioxide emissions from power stations, gathers momentum. The increasing demand in the UK for low-sulphur coal and the pending privatisation of UK electricity utilities could also mean that cheaper coal is sought on world markets. The current buoyancy of exports is reflected in the expansion of the Richards Bay terminal by 4m tonnes to 48m tonnes. According to 1986 statistics, South Africa was the world's third largest coal exporter.

On the domestic front, prospects look quiet as Escom, the major purchaser of coal, will not be commissioning any new power stations until the next century. This could change, however, if the government decides to give greater priority to the electrification of the townships and if the political thaw allows Escom to become a regional source of power.

Last year was another record year for De Beers and the diamond industry. De Beers' equity accounted earnings were 38 per cent up at R4.09bn. Analysts believe they will enjoy more than 30 per cent earnings growth this year too. Considerable value was added to the shares by the recent decision to split the company in two. De Beers SA will own the local diamond mines, some of the cash and the local share portfolio. Swiss-based Centenary will own all the foreign assets. The two companies will trade as a single stapled unit, but can be separated at the instance of the directors.

The move has been widely interpreted as a warning in the light of recent ANC pronouncements about nationalisation.

The manufacturing sector is looking outward, says Philip Gawith

Poised for an export drive

WHEN considering the way forward, South African businessmen are wont to speak dreamily about the economic dragons of the Far East.

A crucial difference, however, is what has been described as the "2M" factor. "They are minerals poor, but manufacturing rich. We are the opposite."

Indeed, being endowed with large mineral resources can be a mixed blessing. Gold, in particular, has been the source of enormous wealth, but has also cast a shadow over other parts of the economy which have not always benefited from life in the shade.

Only politics rivals gold as an influence on the local economy. The manufacturing sector in particular bears a heavy political imprint. For South Africa the past two decades have been a period of introspection. Oil and arms embargoes, and later other forms of economic sanctions, forced the country to follow a path of self-sufficiency.

The consequences of this are familiar – strategic rather than economic considerations dictated investment decisions. The country pursued a policy of import-substitution which involved tariff-protection for favoured industries and landed the taxpayer with the bill for supporting non-competitors on an on-going basis. The armaments and synthetic fuel industries are the best-known examples.

Not the least benefit of the sea-change in political climate over the past year is that this era is now coming to a close. Improved prospects for international trade and a cabinet considerably more economically literate than its predecessors have seen a new outward-reaching policy emerge in recent months.

Now the tune everybody is singing is the need to beneficiate and export. It has, of course, been heard before, but not with the same degree of coherence and sense of purpose from the government's side.

A great deal of determination will be required to address some of the less fortunate structural features of the local manufacturing sector.

First, there is a predominance of capital intensive heavy industry. This is not advantageous for a country which is capital hungry with plentiful labour. Second, labour productivity is poor, largely on account of a poorly skilled workforce, itself the direct product of the ravages of apartheid education. Third, rather than moving towards higher value-added exports, the country is becoming an increasingly commodity-based exporter thus leaving itself hostage to often wildly fluctuating prices.

Finally, with certain exceptions, the country has a well-deserved reputation as a fair-weather exporter. Manufacturers tend only to think of exporting when they have capacity excess to the needs of the local market. These features hardly constitute firm foundations for an export drive.

Against this are ranged two main factors: improved government policy and the country's considerable comparative advantages. The government has taken two big steps to assist exporters. From April 1 a new export incentive scheme was put into place. It involves four categories and the higher the level of manufacturing involved in the product, the greater the assistance offered.

The government has also commissioned a major investigation into tariff policy. Mr Wim de Villiers, Minister of Administration and Economic Affairs, has said that "permanent" protection for the survival of industries must be done away with as must inflationary elements in existing tariffs and surcharges. Surcharges are still paid on certain capital goods which puts exporters at an immediate cost disadvantage compared to their foreign competition.

Changing structure of exports

Category	Percentage of exports in various years			
	1960	1970	1980	1968
Raw materials	29	37	42	42
Processed raw materials	40	32	36	46
Sub-total	69	69	78	88r
Material intensive products	15	17	12	6
Final processed products	16	14	9	6
Sub-total	31	31	21	12
Total	100	100	100	100

Source: Department of Finance

The country's main comparative advantage obviously lies in its enormous mineral wealth and it is probably the non-gold mineral sector which offers the best prospects for economic growth in future. Brian Gilbertson, chairman of Genmin, noted recently: "The Creator has given us 80 per cent of the world's reserves of manganese ores and of platinum group metals, half of the gold and chrome ore, a third of the vanadium and the alumino-silicates, a quarter of the diamonds, a fifth of the zirconium minerals, and a tenth of the nickel, coal, iron, and titanium minerals."

Gold, minerals and precious stones already account for more than 60 per cent of the country's exports. But there is little doubt that the value of exports could be significantly increased if further mineral beneficiation was done. An obvious example is gold. Despite producing 37 per cent of the world's production in 1989, the South African jewellery industry used only 0.1 per cent of world gold production.

The greatest opportunities, however, probably lie in projects involving stainless steel and the many final products which would be generated as a consequence of such a development. Chromium is a basic ingredient of stainless steel and nickel and manganese are used in high quality stainless steel. South Africa has very large reserves of chromium and manganese and adequate nickel. Yet, the country produces only 1 per cent of the world's stainless steel needs.

Dr Aidan Edwards, Chairman of the Mineral Technology Council (Mintek), believes this could easily be raised to 10 per cent. If 10 per cent of this was then converted to finished products for export, Dr Edwards believes that the country could gain as much revenue from the chromium-based industry as it receives from the gold-mining industry.

There are increasing signs that the country stands on the edge of a new wave of downstream projects. The proposed R2bn joint venture stainless steel project between Highveld Steel and Samancor is expected soon to get the go-ahead. And there is increasing talk in the petrochemical industry of possible new projects now that the government has announced it is investigating the deregulation of the synthetic fuels industry, something which would reduce the competitive advantage enjoyed by state-assisted players such as Sasol.

Next to beneficiation, urbanisation is the concept most discussed as offering hope to the manufacturing sector. The thinking is that the inexorable flow of blacks to the cities means substantial new markets, especially in the consumer goods area. The problem with this view is that it presupposes that people coming to the cities get jobs, and hence have money to spend.

In the short term this will not be so easy. Responding to tight fiscal and monetary policies, the economy has now shown negative growth for two quarters and few economists are confident of an upswing before the middle of 1991. Manufacturing industry is by no means exempt from these trends. Production in many sectors is still below previous peaks in 1983 and last year the overall sector showed growth of less than 0.5 per cent.

The turbulent domestic political climate is also not helping business. Consumer goods stores in particular have reported turnover down by as much as one-tenth in some areas as a result of political disturbances. A prominent retailer estimated recently that there were 17 different areas where sales were being affected by consumer boycotts.

The flat domestic outlook in the short term only adds urgency to the need to find export outlets which add some stability to earnings prospects.

AGRICULTURE

Difficulties ahead

SOUTH AFRICAN agriculture emerged from a six-year drought to enjoy a bumper year in 1989.

Ironically, though, this success served only to emphasise how politically marginalised and economically stressed the sector has become. For despite the favourable conditions, the economic circumstances of many farmers failed to improve appreciably.

The industry's main problem is its deteriorating terms of trade – the relationship between producer prices in agriculture and the price of farming requisites.

Worst hit were horticulture and field crops, which respectively account for 19 and 33 per cent of agricultural GDP. Animal products, which make up the remaining 48 per cent, have not been as badly hit.

To compound the farmer's difficulties, the state has been reducing assistance to the agricultural sector – its share of the 1990-91 budget is estimated at 1.6 per cent compared to 3.5 per cent in 1985-86.

The sector's share of 1989 GDP was 5.3 per cent, with the total value of agricultural production estimated at R18.56bn.

To a large extent this trend is a reflection of other more pressing fiscal claims, especially social expenditure. But there is also a political angle. Whereas farmers once formed the backbone of National Party support, they are now mostly Conservative Party supporters and hence have forfeited any claim to special treatment.

A further difficulty is that the sector is being increasingly exposed to market forces at a time of stagnant demand and high interest rates.

Apart from lower subsidies, certain Land Bank advantages in open capital market transactions have been scrapped and more market-related pricing has been introduced by control boards such as the Maize Board.

In the long term, the agricultural sector will be better off for being run on sounder economic lines, but the short term is not without difficulties. Top of the list while interest rates are high is the industry's large debt overhang. A combination of drought, inflation and easy money created an enormous debt burden during the 1980s, so that interest payments are now the industry's largest single cost.

While the trend towards freer markets is clear, control remains the name of the game.

The country has 22 control boards, overseeing nearly 90 per cent of the country's agricultural production.

Some, sensing their star is on the wane, have sought a new lease of life by describing themselves as marketing boards and then seeking to market such products as beef, wool and maize generically.

Whether the producer, let alone the consumer, has benefited from any of their efforts is doubtful.

The way of the future has been shown by the recent privatisation of Unifruco, the successor to the Deciduous Fruit Board.

With the vast bulk of their earnings coming from competitive export markets, farmers cannot afford but to be professional about their marketing efforts.

The flip side of less control is greater personal responsibility. Historically, the South African farmer has tended to think that his job is over when the produce leaves the farm gate. But that means that the farmer battles while the middleman flourishes.

The Agrireview notes that whereas farmers received 55.2 per cent of consumer spending on food in 1975, this figure had dropped to 47 per cent by 1987.

Deregulation will be a major means of allowing the farmer to get more involved marketing his products and hence to increase his share of the final consumer price.

And at the national level, there seems little reason why, for example, the R900m wool clip should be mostly exported in raw form only for others to get the lion's share of the value from making textiles and jerseys.

Philip Gawith

Stellenbosch vineyard: 1989 was a bumper year for agriculture

Dilemma over land

ONE of the most difficult problems facing a post-settlement government in South Africa will be the question of land ownership. The legacy of the 1913 and 1936 Land Acts is that whites own 87 per cent of the land in the country.

Although there are cases of blacks farming in white areas through nominee owners, this "greying" effect has not taken place on anything like the scale that it has in the cities.

The government has shown itself alert to the issue. Mr Piet Marais, Development Aid Deputy Minister, said recently that the government was working to establish a black commercial farming sector on land originally earmarked for homeland consolidation, a policy which has now been scrapped. The South African Development Trust owns more than 2m hectares of land, at least half of which is understood to be available for transfer to black owner-farmers. According to the Development Bank the country has about 100m hectares of farmland in total.

These steps, though welcome, will have to be taken much further. The Development Trust land is situated mostly alongside existing homelands, whereas Blacks should obviously be entitled to buy or lease land anywhere. This will entail the Land Acts being scrapped. Their removal, however, raises a host of problems such as absentee landlordism, tribal rights, the subdivision and consolidation of land, which will not be easily solved.

Although, as with most areas of ANC economic policy, there is no definitive statement on land reform, the thinking that has emerged so far is surprisingly mild. Mr Zola Skweyiya, head of the ANC's legal and constitutional affairs sector, said in a paper last year that "a well-conceived land reform policy should guard against the destruction of the commercial agricultural sector, considering its major role as the national food supplier and significant contributor to foreign reserves."

The frontrunner when it comes to thinking about land reform appears to be the Development Bank. Chairman Simon Brand said recently that "an alternative pattern of *development with more* emphasis on employment creation and smallholder farming" would be desirable. Brand believes that the trend towards less intervention by the state in the agricultural sector will alter the scale and nature of farming in a way such as to encourage smaller farmers.

Crucial to the development of a black commercial farming sector will be government support in such matters as research, marketing and finance. Such services have traditionally only been enjoyed by white farmers.

Ironically, white farms are getting steadily larger as more farmers leave the land; this raises the prospect of an increasingly dualistic agricultural sector developing. White farmers will be hoping that while, as in Zimbabwe, a future government will encourage the development of the peasant sector, it will also recognise the vital role of white farmers in the economy.

Philip Gawith

PRIVATISATION

Enthusiasm cools

ALTHOUGH privatisation still generates a great deal of heat in South Africa, enthusiasm for the policy has chilled considerably in recent months for a combination of political and practical reasons.

The policy, announced in early 1988, had its roots in economic need. Foreign investment, which traditionally accounted for 20 per cent of the country's needs, was being cut off, and efficiency was suffering as the growing state sector crowded out the private sector. Privatisation was seen as one part of a comprehensive economic plan to address this and other aspects of the country's economic malaise.

While economic reform is gathering momentum, the same cannot be said for privatisation. Political opposition looms large in the form of African National Congress (ANC) and union opposition to privatisation, which is restated regularly. Calling for a halt to the programme, which they believe will frustrate plans for redistribution under a non-racial government, the ANC and unions have promised that there will be renationalisations.

The Government continues to maintain faith in the policy, but has run up against the *problem that there are no* candidates of any consequence on the short-term agenda for privatisation. The country never had a large-scale nationalisation programme which needed to be unwound. So the Government has already come up against the vexed question of what to do about the public utilities. Unsurprisingly, given experience elsewhere, it has decided to proceed cautiously.

The major achievement to date has been the privatisation of Iscor, the iron and steel company, in November last year. The flotation raised R3.7bn, (1.85bn shares at R2 each). It was 4.16 times oversubscribed and brought 150,000 investors to the market, an increase of 50 per cent in the number of active private investors. The listing was acclaimed for the quality of information made available to the public and for the pricing.

It has subsequently lost some of its sheen as the share price has slumped back to its issue level. This follows an admission by management that it will not be able to meet the earnings forecast made in the prospectus, the result of an unforeseen slump in the world steel market. Whatever the reason, it is not currently a compelling example of the benefits of share ownership and certainly not the sort of background against which the Government will want to launch any further flotations.

Short-term candidates for privatisation are the Phosphate Development Corporation, Foskor and the sorghum beer industry. But none of the three major utilities – Escom (electricity), Transnet (transport) and Posts and Telecommunications (P&T) – is likely to come to the market in the next few years. Escom has been run along normal business lines for some years now, and is soon *expected to start paying tax*, but worries about how competition would be ensured in the private sector have put it onto the backburner.

The biggest achievement to date has been the privatisation of Iscor, the iron and steel company. The flotation raised R3.7bn

Transnet, formerly South African Transport Services, and P&T are both some way behind Escom in the commercialisation of their activities, but both have been recently restructured to facilitate later privatisation. Transnet has been split into five separate business entities, corresponding to its major spheres of activity, and P&T will also soon be split in two.

To the extent that privatisations such as Foskor do go ahead, the focus will increasingly fall on the question of how the funds are used. If there is any way of making privatisation an acceptable policy then it is through ensuring that the benefits accrue to the community. The Government has already shown itself sensitive to this fact by stating that R1bn of future privatisation proceeds will go towards a social upliftment fund. This is a change from initial pronouncements that the money would be used to repay public debt.

In the absence of major listings, the Government's programme is likely to focus increasingly on the commercialisation of state corporations' activities.

Dr Marius de Waal, chairman of Iscor and Transnet, comments: "Commercialisation is by far the most important part of the whole privatisation process." This, apart from being plausible, depoliticises the issue almost entirely. Short of commercialisation involving massive job losses, which would provoke enormous resistance from both leftwing and rightwing unions, nobody can seriously object to the quest for greater efficiency."

Many supporters of privatisation – the Government too, one suspects – agree and are quite happy to defer the transfer of assets so long as commercialisation gets underway in the meanwhile.

Transnet is a good illustration of Dr de Waal's point. Before the Government even had a privatisation programme, Transnet had addressed what can be the most sensitive aspect of a pri*vatisation: retrenchment. This* was done on a massive scale with the staff complement being cut from 280,000 to 170,000 between 1983 and 1990.

What now lies ahead for the company is the business of establishing a profit record sufficient to justify investor support in the event of a listing. Dr de Waal notes that Transnet currently earns a net profit of about R200m a year. He believes this can be improved ten-fold over four years, mainly through the elimination of non-performing assets.

While Transnet and P&T are busy coming to terms with basic business disciplines, the focus of "privatisation" will shift to the less glamorous, but cumulatively important, matters of commercialising government department and municipal activities. Already, in varying degrees, services such as cleaning and refuse removal have been farmed out to the private sector.

Philip Gawith

Crisis in black education

A formidable obstacle course

THE CRISIS in black education was starkly illustrated last December, when results of the all-important school-leaving examinations revealed that the failure rate among the 196,000 sitting students was 58 per cent.

The education system has been a central part of the political struggle in South Africa since the Soweto uprising in 1976 when at least 500 black pupils died in a rebellion triggered by resistance to the use of Afrikaans as the teaching medium.

Lately, young protesters have taken to township streets, determined to change a policy that has doomed them to second-rate schools. A generation has paid the price at examination time – prompting Mr Nelson Mandela to urge students to study hard. But even last December's statistic does not do justice to the gravity of the problem facing post-apartheid South Africa, needing not only to cope with hundreds of thousands of unemployed youths, but to create a new reservoir of skills with which to manage political change and ensure economic growth.

Even those who pass examinations are products of a system whose entrenched inferiority is one of the worst legacies of apartheid. Its graduates have battled against terrible odds, but often emerge ill-equipped to compete with their privileged white counterparts.

The obstacle course is formidable. Educationists estimate that by the fifth year of education, more than 40 per cent of school entrants have dropped out.

A briefing paper published earlier this year by the Education Policy Unit at the University of the Witwatersrand, Johannesburg, points out that 40 per cent of African teachers in Department of Education and Training (DET) schools in 1987 "had not completed their own schooling". The figure was probably higher in non-DET schools, the unit suggests.

Teacher-pupil ratios in 1988 was 1:40 in African schools – a marked improvement from 1975, when it was 1:54 – but markedly poor compared with white schools where the ratio shifted from 1:20 to 1:16 in the same period.

Despite government efforts in the 1980s to boost expenditure on black education, the racial disparity "is decreasing minimally", notes the briefing paper, "from 5.8 times as much for whites in 1980-81 to 4.7 times as much in 1987-88." This is partly explained by the fact that growth in black primary school enrolment, has risen at an annual rate of 4.6 per cent over the past five years, compared to 2.8 per cent in the population as a whole.

But even these statistics do not reveal some of the most serious inadequacies in black education. It is at its weakest in those areas where skills shortages will become most acute – such as engineering, the sciences, and accountancy.

A report on tertiary education and training needs in South Africa, by Nicola Swainson, cites an investigation that found that in the years 1977-80, 90 per cent of black mathematics teachers, 80 per cent of biology teachers, and 92 per cent of physical science teachers were underqualified.

"It is not surprising," writes Ms Swainson, "that the outputs of black Standard 10 matriculants in these subjects have been very low . . . and growing at a much slower rate than the corresponding group of white matriculants" (in 1985 only 43 per cent and 21 per cent of black students took the mathematics and physical sciences examinations respectively, compared to 64 per cent and 45 per cent for whites).

Exacerbating the skills distortion were very low black pass rates – generally less than 20 per cent. Compounding these weaknesses in the educa*tional system* is racial discrimination in jobs and training which only began to break down in the 1980s.

When other factors affecting the supply of skills are taken into account, the prospect of a severe shortage becomes more likely. In the 1970s, immigrants provided between 25 and 40 per cent of the annual increase in skilled personnel. But, as a 1987 government report warned, "South Africa, mainly for political factors, will not be able to rely on immigration to the same extent as in the past . . .(and) . . . will have to be content with better training and utilisation of the local labour supply in order to satisfy manpower requrements."

The warning is even more pertinent today, as political uncertainties boost emigration and reduce immigration. In 1986, for example, nearly twice as many engineers emigrated as immigrated – but there is no engineering faculty at any of South Africa's nine black universities.

Redressing inequalities in education and skills training, while coping with present and future needs, is one of the most demanding tasks current and future governments will face.

A first practical step, say educationists, is more efficient use of existing resources. Since 1979, according to the Witwatersrand University briefing paper, at least 203 white schools have been closed because of low enrolment. In 1988, there were 270,000 vacant places in white schools across the country. In Johannesburg alone, there were 13,150 vacant places in 1989, growing by about 1,600 a year.

There are signs that government may begin this process by turning over white schools that would otherwise be closed, and which are in "grey" areas, to black students. Fundamental changes, however, will have to await the outcome of constitutional talks.

Michael Holman

Michael Holman looks at the recovery of the tourist industry

Set to break all records

PROVIDED political stability is maintained, South Africa can expect a rise in tourism in the coming years, pushing foreign exchange earnings well above the R1.9bn brought in last year.

No other country on the continent can offer such a combination of coastal resorts, scenic drives and game viewing, supported by first-class hotels and an excellent infrastructure. And, with such a favourable exchange rate for the visitor ($1 = R2.65), it provides good value for money.

Recent figures suggest a link between political reform and the recovery of a sector that has experienced lean times.

Apart from the record level for foreign visitors, use of tourist facilities by black South Africans is growing rapidly

Overseas visitors (i.e. visitors from non-African countries) slumped from 455,000 in 1984, to just under 300,000 in 1986, as reports from South Africa's embattled townships reminded would-be tourists of the brutalities of apartheid – or made them fearful for their personal safety.

Last year, however, saw overseas visitors reach a record 472,000, with a further 455,000 coming from Africa, mostly from Zimbabwe (many travelling south on shopping expeditions), Swaziland and Botswana.

The record seems likely to be broken again this year if trends continue.

First-quarter figures for 1990 show a 15 per cent increase in overseas tourists, and a 17 per cent rise in visitors from Africa. "Political changes over the past year are making South Africa a respectable destination," says a Johannesburg travel agent.

Some of the pillars of apartheid remain – the Group Areas Act which enforces residential segregation, land ownership legislation, and racial classification.

These will be at the heart of forthcoming negotiations with the African National Congress (ANC). But the steady erosion of discrimination in public amenities – from October 15 it will be illegal – together with the marked improvement in South Africa's reputation abroad, is seen as good for business by the travel industry.

Britain's lifting in February of the UK's voluntary ban on the promotion of tourism to South Africa, will have slight impact on a thriving market which had taken little notice of the measure, says Mr Spencer Thomas, executive director of the South African Tourist Board; but he expects a substantial gain in North American visitors if direct air links to the US are restored. This, say diplomats, could happen soon.

Whether the sector will be able to cope with increased demand is another matter. "The tourist infrastructure is under immense strain," warns the Tourist Board in its 1989 report. Apart from the record level for foreign visitors, use of tourist facilities by black South Africans is growing rapidly as racial barriers come down.

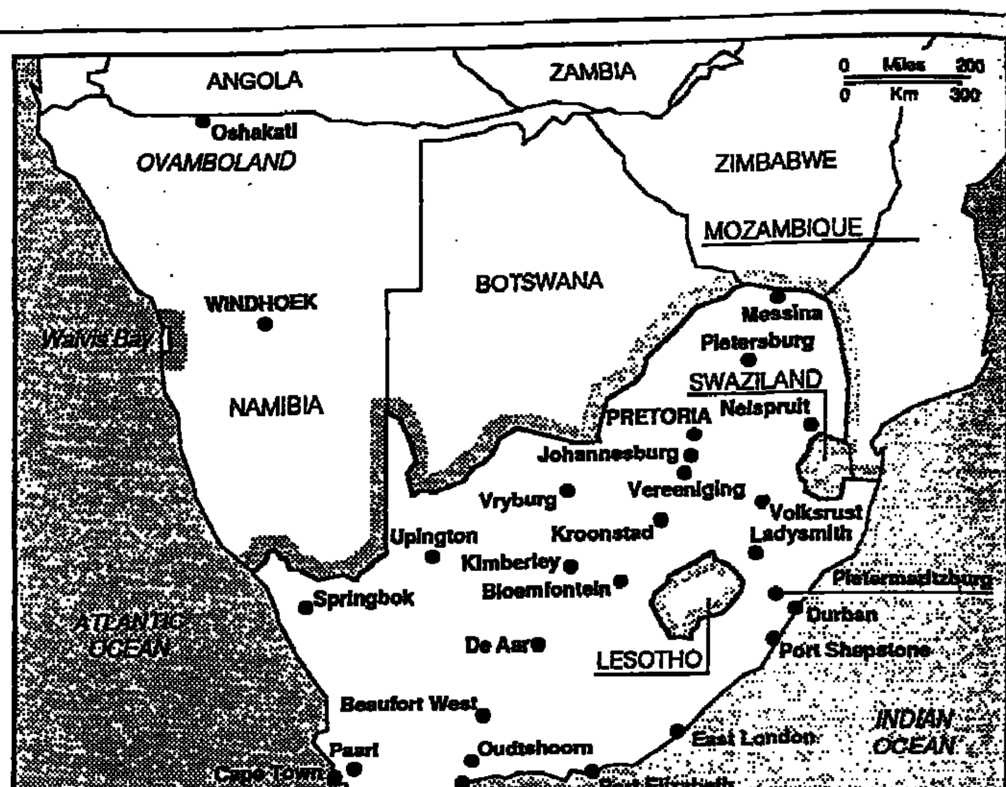
Last Christmas, for example, when all Durban's beaches and facilities were opened to all races for the first time, some of the hotels along the city's "golden mile" of beach had as many black guests as white guests.

Long-term planning will largely depend on the outcome of two reports due to be delivered later this year, one by the Development Bank of Southern Africa in association with the Tourist Board, the other by the South African Board of Trade.

But one current aim, says Mr Thomas, is to convince potential visitors that South Africa's "winter" months from mid-March to mid-June, when tourism drops off sharply – is for much of the time as temperate as the European summer.

White rhinoceros, Umfolozi: unparalleled game-viewing

Roger de la Harpe, Natal Parks Board



Philip Gawith analyses changes in the financial sector

Rationalisation inevitable

THE NEW decade promises significant change to the shape of the country's financial sector. Rationalisation is the buzzword and further deregulation will soon level the playing fields between banks and building societies.

It has long been argued that the country is overbanked with more than 60 institutions to serve the relatively small section of the community who are sufficiently integrated into the formal economy to require banking services.

Most of these are so small as to be insignificant, but even among the country's nine largest institutions rationalisation is thought to be inevitable, so weak are some of the balance sheets.

The only significant rationalisation so far has been the merging of the Perm building society with the Nedcor group early last year. But it is thought likely that one or more of United, Volkskas, Bankorp and Allied will be involved in a merger before long.

There are a number of reasons why more should be expected. One factor is that most institutions have invested enormous amounts in expensive technology in recent years. They are under considerable pressure to offset these higher fixed costs through a greater turnover of business.

The most pressing argument, however, is that the competitive environment is such that a number of institutions are not generating enough profit to provide shareholders with a real return on investment and retentions sufficient to allow asset growth consistent with capital funding requirements.

Large egos at the helm of certain institutions and the incompatibility of various large shareholders complicate matters further.

Some observers believe that the new Deposit-Taking Institutions Bill, scheduled to become law next year, will

While deregulation was one reason for fierce competition, another was the need to grow fast enough to keep abreast of inflation

Banks are then forced to respond by ceasing to grow, such as First National Bank, previously Barclays, did over the course of the last year, or by going to the shareholders for money. This is not uncommon. Between 1985 and 1989 the nine leading institutions were responsible for 11 rights issues which raised R3.6bn.

The enormous liquidity in the economy, as evidenced by the quantum of rights issues, is a main reason why institutions whose historical return does not justify further support have been able to maintain independence.

serve as a catalyst for rationalisation.

The bill, which abolishes all outstanding differences between banks and building societies, is also expected to usher in an era of stricter capital requirements which could leave some institutions in difficulty.

Whether South Africa should aspire to achieve the capital ratios stipulated by the Basle agreement is likely to provoke considerable discussion in future.

The argument can be made that these were drawn up for banks with a multinational risk profile whereas local institutions have almost entirely domestic operations. Such measures also increase the cost of banking, a questionable benefit in a capital-hungry developing country starved of foreign lending.

Large banks are well aware, though, that insofar as the country returns to the international community, so banking practices will have to mirror those abroad.

It has often been said that the banking sector is the most competitive in the South African economy. This has never been more true than in the past few years in which partial deregulation has allowed banks and building societies to encroach on each other's turf for the first time.

This has been particularly evident in the fiercely contested home loan market where Standard Bank in particular has made large inroads.

This was a logical area of diversification for a high-street bank, filling a gap in its portfolio.

It also made much more sense than trying to enlarge its already substantial share of the risky corporate market. In little over two years it has built up a R5bn portfolio at the addition of only a few hundred more staff – an exceptionally cost-effective exercise.

Building societies have been less successful in making inroads into banking territory.

This is not surprising. The staff and systems changes required in moving from being a one-product institution to a bank are obviously considerably greater than the other way around.

United has done best by concentrating on organic growth through offering banking facilities to its existing home-loan client base. It is thought to have as many as 100,000 cheque accounts. More problematic has been Allied's targeting of the fiercely competitive and risky corporate market.

While deregulation was one reason for fierce competition in the past few years, another was the need to grow fast enough to keep abreast of inflation. This meant gaining market share and the primary weapon for doing this was price.

This route, however, led to problems with capital ratios and there is evidence that the banks are retreating from this strategy and starting to compete on service. They have also started to charge fees where they did not previously.

An important factor for the banking community has been Dr Chris Stals's appointment as governor of the Reserve Bank.

He has made it abundantly clear that beating inflation is his priority and, accordingly, that he will implement a strict monetary policy. Too often under his predecessor money supply became available to fund fiscal indiscipline.

Between August 1984 and November 1986, for example, the real overdraft rate moved an extraordinary 20.4 percentage points – from 13.2 per cent to minus 7.2 per cent after adjustments for the rate of inflation.

Admittedly, the country did not then enjoy nearly the level of political and economic policy co-ordination that now prevails. That said, better monetary aggregate control can only lead to more stable balance sheet growth.

In April the Government announced an investigation into the flow of savings from banks and building societies to the life institutions with a view to creating a "level playing-field." This is where the next set of reforms are likely to take place.